



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF HAMILTON, OHIO

BUTLER COUNTY

SINGLE AUDIT

FOR THE YEAR ENDED DECEMBER 31, 2020



88 East Broad Street
Columbus, Ohio 43215
IPARreport@ohioauditor.gov
(800) 282-0370

City Council
City of Hamilton
345 High Street
Hamilton, Ohio 45011

We have reviewed the *Independent Auditors' Report* of the City of Hamilton, Butler County, prepared by Clark, Schaefer, Hackett & Co., for the audit period January 1, 2020 through December 31, 2020. Based upon this review, we have accepted these reports in lieu of the audit required by Section 117.11, Revised Code. The Auditor of State did not audit the accompanying financial statements and, accordingly, we are unable to express, and do not express an opinion on them.

Our review was made in reference to the applicable sections of legislative criteria, as reflected by the Ohio Constitution, and the Revised Code, policies, procedures and guidelines of the Auditor of State, regulations and grant requirements. The City of Hamilton is responsible for compliance with these laws and regulations.

A handwritten signature in black ink that reads "Keith Faber".

Keith Faber
Auditor of State
Columbus, Ohio

August 30, 2021

This page intentionally left blank.

TABLE OF CONTENTS

Schedule of Expenditures of Federal Awards 1 – 3

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements Performed
in Accordance with Government Auditing Standards 4 – 5

Report on Compliance for Each Major Federal Program; Report on Internal
Control Over Compliance; and Report on Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance 6 – 7

Schedule of Findings and Questioned Costs 8

Schedule Prior Year Audit Findings 9

Attachment: Comprehensive Annual Financial Report

This page intentionally left blank.

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2020

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Assistance Listing Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</u>				
CDBG - Entitlement Grants Cluster:				
Community Development Block Grants/Entitlement Grants	n/a	14.218	\$ 147,593	\$ 756,284
Total CDBG - Entitlement Grants Cluster				<u>756,284</u>
HOME Investment Partnerships Program	n/a	14.239	<u>186,900</u>	<u>198,160</u>
Total U.S. Department of Housing and Urban Development			<u>334,493</u>	<u>954,444</u>
<u>U.S. DEPARTMENT OF JUSTICE</u>				
COVID-19 - Coronavirus Emergency Supplemental Funding Program	n/a	16.034		<u>43,261</u>
Bulletproof Vest Partnership Program	n/a	16.607		<u>4,646</u>
Comprehensive Opioid Abuse Site-Based Program	n/a	16.838		<u>174,115</u>
Equitable Sharing Program	n/a	16.922		<u>14,972</u>
<i>(Passed through Butler County Sheriff's Department):</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2019-DJ-BX-0439	16.738		18,572
<i>(Passed through Ohio Department of Public Safety):</i>				
Edward Byrne Memorial Justice Assistance Grant Program	2019-JG-A02-6753	16.738		<u>27,051</u>
				<u>45,623</u>
Total U.S. Department of Justice				<u>282,617</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>				
Highway Safety Cluster:				
<i>(Passed through Ohio Department of Public Safety):</i>				
State and Community Highway Safety	IDEP/STEP - 2020 - 00072	20.600		9,126
State and Community Highway Safety	IDEP/STEP - 2021 - 00084	20.600		<u>3,934</u>
				<u>13,060</u>
<i>(Passed through City of Oxford):</i>				
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2020-00007	20.601		17,219
Alcohol Impaired Driving Countermeasures Incentive Grants I	OVI-2021-00007	20.601		<u>5,449</u>
				<u>22,668</u>
Total Highway Safety Cluster				<u>35,728</u>
<i>(Passed through Ohio Department of Transportation):</i>				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	PID #93593	20.205		495,110
Highway Planning and Construction	PID #103519	20.205		317,878
Highway Planning and Construction	PID #104695	20.205		<u>932,577</u>
Total Highway Planning & Construction Cluster				<u>1,745,565</u>
<i>(Passed through Ohio Department of Public Safety):</i>				
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2019 - 00062	20.608		18,563
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	IDEP/STEP - 2020 - 00072	20.608		<u>6,661</u>
				<u>25,224</u>
Total U.S. Department of Transportation				<u>1,806,517</u>

(continued)

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards (Continued)
Year Ended December 31, 2020

<u>Federal Grantor/Program Title</u>	<u>Pass Through Entity Number</u>	<u>Assistance Listing Number</u>	<u>Passed through to Subrecipients</u>	<u>Total Federal Expenditures</u>
<u>U.S. DEPARTMENT OF THE TREASURY</u>				
<i>(Passed through Ohio Department of Budget and Management):</i>				
COVID-19 - Coronavirus Relief Fund	HB481-CRF-Local	21.019		3,576,798
<i>(Passed through Butler County):</i>				
COVID-19 - Coronavirus Relief Fund	20-11-01522	21.019		286,673
<i>(Passed through Butler County Health Department):</i>				
COVID-19 - Coronavirus Relief Fund	00910012CT0120	21.019		39,381
				<u>3,902,852</u>
Total U.S. Department of the Treasury				<u>3,902,852</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>				
<i>(Passed through Butler County Health Department):</i>				
Hospital Preparedness Program and Public Health Emergency Preparedness Aligned Cooperative Agreements	00910012PH0514	93.074		13,897
COVID-19 - Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response	00910012CO0120	93.354		292,023
Total U.S. Department of Health and Human Services				<u>305,920</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>				
<i>(Passed through Ohio Emergency Management Agency):</i>				
COVID-19 - Emergency Management Performance Grants	Project # 148793	97.042		170,357
Total U.S. Department of Homeland Security				<u>170,357</u>
Total Passed Through to Subrecipients and Federal Expenditures			<u>\$ 334,493</u>	<u>\$ 7,422,707</u>

CITY OF HAMILTON, OHIO
Schedule of Expenditures of Federal Awards - continued
Year Ended December 31, 2020

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

NOTE A - BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") includes the federal award activity of the City of Hamilton, Ohio (the "City") under programs of the federal government for the year ended December 31, 2020. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

NOTE B - SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the cash basis of accounting. Such expenditures are recognized following the costs principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

NOTE C - PASSTHROUGH AWARDS

The City of Hamilton, Ohio receives certain federal awards from the State of Ohio as pass-through awards. The amounts received are commingled by the State of Ohio with other funds and cannot be separately identified. The total amount of such pass-through awards is included on the schedule of expenditures of federal awards.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 29, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE**INDEPENDENT AUDITORS' REPORT**

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

Report on Compliance for Each Major Federal Program

We have audited the City of Hamilton, Ohio's (the "City") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness

of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 29, 2021, which contained unmodified opinions on those financials statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United State of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

**CITY OF HAMILTON, OHIO
 Schedule of Findings and Questions Costs
 Year Ended December 31, 2020**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weakness(es)?	none
Noncompliance material to financial statements noted?	none

Federal Awards

Internal Control over major programs:	
• Material weakness(es) identified?	none
• Significant deficiency(ies) identified not considered to be material weakness(es)?	none
Type of auditors' report issued on compliance for major programs:	unmodified
Any audit findings that are required to be reported in accordance with 2 CFR 200.516(a)?	none noted
Identification of major programs:	
• CFDA 21.019 – Coronavirus Relief Fund	
Dollar threshold to distinguish between Type A and Type B Programs:	\$750,000
Auditee qualified as low-risk auditee?	Yes

Section II - Financial Statement Findings

None noted.

Section III – Federal Award Findings and Questioned Costs

None noted.



CITY OF HAMILTON, OHIO
Schedule of Prior Year Audit Findings
Year Ended December 31, 2020

U.S. DEPARTMENT OF TRANSPORTATION

2019-001 CFDA 20.205—*Highway Planning and Construction Cluster*

In accordance with 29 CFR sections 5.5 and 5.6, contractors and subcontractors are required to submit to the City, weekly, for each week in which any contract work is performed, a copy of the payroll and a statement of compliance (certified payrolls). During our audit of prevailing wage requirements, we noted two instances in which the required weekly certified payrolls could not be provided.

Status: Corrected





2020 ANNUAL REPORT

The Comprehensive Annual Financial Report for Hamilton, Ohio - Year Ended 12/31/20



COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2020

Prepared by:
Department of Finance

David Jones
Finance Director



TABLE OF CONTENTS

CITY OF HAMILTON
BUTLER COUNTY, OHIO

I INTRODUCTORY SECTION

A Letter of Transmittal v
B List of Principal Officials xii
C City Organizational Chart xiii
D Certificate of Achievement for Excellence in Financial Reporting xiv

II FINANCIAL SECTION

A Independent Auditor’s Report 1
B Management’s Discussion and Analysis 5
C Basic Financial Statements:
 Government-wide Financial Statements:
 Statement of Net Position 18
 Statement of Activities 20
 Fund Financial Statement
 Governmental Funds:
 Balance Sheet 22
 Reconciliation of Total Governmental Fund Balances to Net Position of
 Governmental Activities 23
 Statement of Revenues, Expenditures and Changes in Fund Balances 25
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balances to the Statement of Activities 26
 Statement of Revenues, Expenditures and Changes in Fund Balance
 (Budget and Actual):
 General Fund 29
 Health Department Fund 30
 Proprietary Funds:
 Statement of Net Position 32
 Statement of Revenues, Expenses and Changes in Fund Net Position 36
 Statement of Cash Flows 38
 Fiduciary Funds:
 Statement of Net Position 42
 Statement of Changes in Net Position 43
Notes to the Basic Financial Statements 44

CITY OF HAMILTON, OHIO

D Required Supplementary Information:

- Schedule of City’s Proportionate Share of the Net Pension Liability – Cost Sharing Plans 120
- Schedule of City Pension Contributions – Cost Sharing Plans 122
- Schedule of City’s Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability – Cost Sharing Plans..... 125
- Schedule of City’s Other Postemployment Benefit (OPEB) Contributions – Cost Sharing Plans..... 126
- Schedule of City’s Other Postemployment Benefit (OPEB) Liability - Single Employer Plan 128
- Schedule of Changes in the City’s Total Other Postemployment Benefits (OPEB) Liability – Single Employer Plan..... 129
- Notes to the Required Supplementary Information 130

E Combining and Individual Fund Statements and Schedules:

Nonmajor Governmental Financial Statements:

- Combining Balance Sheet..... 138
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances..... 140
- Combining Balance Sheet – Nonmajor Special Revenue Funds 142
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Special Revenue Funds 147
- Combining Balance Sheet – Nonmajor Capital Projects Funds 152
- Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Capital Projects Funds 154

Individual Schedules of Revenues, Expenditures and Changes in Fund Balance (Budget and Actual):

Major Governmental Funds:

- General Fund*..... 156
- Special Revenue Fund*
 - Health Department Fund 159
 - Capital Projects Fund*
 - Hamilton Capital Improvement Fund..... 160

Nonmajor Governmental Funds:

Special Revenue Funds:

- One Renaissance Center Fund..... 161
- Unclaimed Monies Fund 162
- Convention and Visitor’s Bureau Fund..... 163

CITY OF HAMILTON, OHIO

Nonmajor Governmental Funds:

Special Revenue Funds (Continued):

Municipal Court Improvement Fund.....	164
Public Safety / Health Income Tax Fund	165
Coronavirus Relief Fund	166
Dispute Resolution Proceeds Fund.....	167
Safety Services Fund	168
Police Pension Fund	169
Police Levy Fund.....	170
Firemen’s Pension Fund.....	171
Fire EMS Levy Fund.....	172
Stormwater Management Fund	173
Refuse Fund.....	174
Street Maintenance Fund.....	175
Motor Vehicle License Tax Fund.....	176
Land Reutilization Fund.....	177
Home Program Fund	178
Parking Fund	179
Golf Course Fund	180
Community Development Block Grant Fund.....	181

Debt Service Funds:

Debt Service Fund.....	182
------------------------	-----

Capital Projects Funds:

Special Assessment Fund	183
Municipal Improvement Tax Increment Equivalent (MITIE) Fund.....	184
Governmental Building Sale Proceeds Fund.....	185
Issue II Projects Fund	186
Infrastructure Program Fund	187

Permanent Fund:

Benninghofen Trust Fund.....	188
------------------------------	-----

Internal Service Funds:

Combining Statement of Net Position	190
Combining Statement of Revenues, Expenses and Changes in Fund Net Position.....	191
Combining Statement of Cash Flows	192

Fiduciary Funds – Custodial Funds:

Combining Statement of Net Position.....	194
Combining Statement of Changes in Net Position.....	196

III

STATISTICAL SECTION

Net Position by Component - Last Ten Years..... S 2

Changes in Net Position - Last Ten Years..... S 5

Fund Balances, Governmental Funds - Last Ten Years S 13

Changes in Fund Balances, Governmental Funds - Last Ten Years S 16

Assessed Valuations and Estimated True Values of Taxable Property - Last Ten Years S 22

Property Tax Levies and Collections - Last Ten Calendar Years S 25

Direct and Overlapping Property Tax Rates - Last Ten Calendar Years S 28

Principal Property Tax Payers - Current Year and Nine Years Ago S 30

Income Tax Collection Receipts by Fund - Last Ten Calendar Years S 31

Principal Income Tax Payers - Current Year and Nine Years Ago S 34

Ratios of Outstanding Debt by Type - Last Ten Years S 35

Ratios of General Bonded Debt Outstanding - Last Ten Years S 38

Computation of Direct and Overlapping Debt Attributable to
Governmental Activities - Current Year S 41

Debt Limitations - Last Ten Years S 42

Pledged Revenue Coverage - Last Ten Years S 45

Demographic and Economic Statistics - Last Ten Years S 48

Principal Employers - Current Year and Nine Years Ago S 51

Full Time Equivalent Employees by Function - Last Ten Years S 52

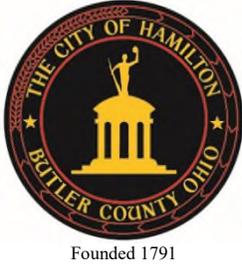
Operating Indicators by Function - Last Ten Years S 54

Capital Asset Statistics by Function - Last Ten Years S 60

INTRODUCTORY SECTION







CITY OF HAMILTON OHIO

Department of Finance

One Renaissance Center
345 High Street, Hamilton Ohio 45011
phone (513) 785-7150 fax (513) 785-7160

June 30, 2021

To the Honorable Mayor, Vice Mayor, City Council and
All Citizens of the City of Hamilton, Ohio:

We are pleased to present this Comprehensive Annual Financial Report for Hamilton, Ohio. This report, for the year ended December 31, 2020, contains the financial statements and other financial and statistical data that provide a complete and full disclosure of all material financial aspects of the City. The responsibility for the accuracy of all data presented and its completeness and fairness of presentation rests with the City of Hamilton's Department of Finance.

This report presents the financial activity of the City in conformity with generally accepted accounting principles (GAAP) as set forth by the Governmental Accounting Standards Board (GASB) and other recognized authoritative sources.

The City of Hamilton is required to undergo an annual single audit in conformity with the provisions of the Single Audit Act of 1984, the Single Audit Act Amendments of 1996 and the U. S. Office of Management and Budget's Super Circular. Information related to this single audit, including a schedule of federal expenditures, the independent auditors' reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs are included in a separately issued single audit report.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of a Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. Hamilton's MD&A can be found immediately following the independent auditors' report.

THE REPORTING ENTITY

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board Statement No. 14, *The Financial Reporting Entity*, in that they include all the organizations, activities, functions and component units for which the City (the reporting entity) is financially accountable. Financial accountability is defined as the appointment of a voting majority of the component unit's board and either (1) the City's ability to impose its will over the component unit, or (2) the possibility that the component unit will provide a financial benefit to or impose a financial burden on the City.

CITY OF HAMILTON, OHIO

Letter of Transmittal

For the Year Ended December 31, 2020

Based on the foregoing, the Hamilton Community Authority (HCA) has been determined to be a component unit of the City. The HCA is a new community authority (NCA) authorized under Chapter 349 of the Ohio Revised Code. NCA's are to be created "for the purpose of encouraging orderly development of well planned, diversified and economically sound new communities and of encouraging the initiative and participation of private enterprise in such undertakings; and encouraging cooperation between the developer and community authority to carry out a new community development program." The reporting entity includes all funds, agencies, boards and commissions that are part of the primary government, along with component units. The primary government includes the financial activities of the Hamilton Civil Service Commission and the Hamilton Municipal Court.

CITY OVERVIEW

Located thirty miles northwest of Cincinnati, Hamilton encompasses approximately 21.5 square miles and is located within a one-day drive of approximately 65% of the purchasing population in the United States. A network of four interstate highways (71, 74, 75 and 275) and five U.S. and Ohio routes (4, 128, 129, 177 and 127) serve the City.

The City of Hamilton provides a host of traditional municipal services including police and fire protection, health and certain social services, operation of a municipal court, street maintenance and other governmental services. In addition, the City owns and operates four utility systems to serve consumers within the City and certain immediately adjacent environs.

A seven-member Council, elected by voters of the City, governs the City. Council is elected for four-year staggered terms. The Mayor, who is separately elected, is recognized as the official head of the City for all ceremonial purposes and presides at Council meetings. The voters also elect a Municipal Court Judge, who serves a six-year term, to preside over the proceedings of the Hamilton Municipal Court.

City Council appoints the City Manager who is the chief executive officer of the City. The Manager is charged with the proper administration of all affairs of the City. The Manager has the authority to appoint and remove all heads of departments and all subordinate officers and employees of the City and they also exercise control over all departments created by the City Council.

RECENT ECONOMIC DEVELOPMENT

Since 2013 alone, more than \$620 million has been invested in our community by businesses locating or expanding here, developers renovating our downtown buildings, or through infrastructure upgrades and improvements. In the same period, more than 2,500 jobs have been filled. These numbers are a testament to the strength of our local economy, and they show the optimism of local residents and employers. The following includes some highlights of this growth in our community.

*Letter of Transmittal
For the Year Ended December 31, 2020*

The COVID-19 pandemic and shutdown orders passed down from the State of Ohio hit Hamilton's local small businesses hard in 2020. In March 2020, City Council approved a \$300,000 grant to the Hamilton Economic Development Corporation to support emergency economic relief for local small businesses. The City created the Rapid Restart Team, a cross-functional team of City and Chamber staff that served as a liaison to the small business community to assist them during the stay-at-home order, help them fast track reopening when the pandemic subsided, and help reintroduce the public back to their businesses when the order lifted. Using Federal CARES Act Funding, the City provided small businesses with less than 25 full-time employees grants up to \$10,000 to help with costs directly related to State of Ohio sanctioned closures, limited operations, and/or increased restrictions from COVID-19. The City provided over \$290,000 in grants to small businesses as part of this program.

Even through the pandemic, our Economic Development Department worked with 13 new retail and restaurant businesses that opened in Hamilton in 2020. All of these businesses enhance the quality of life in Hamilton, making it a better place for people to live, work, and shop. New small businesses that opened in 2020:

- Scattering Joy
- Pinball Garage
- Smoochies Boba & Crepes
- The Linden Tree
- Strauss Gift Shop
- Soulshine Wellness
- Reptile Pit
- Benison Co-Working Space and Event Center
- Main Street Throw
- Taqueria Los Compadres
- The Fringe Coffee Shop
- Strauss Art Gallery & Gift Shop
- HYPE Teen Life Center

*Letter of Transmittal
For the Year Ended December 31, 2020*

Now one of Hamilton's largest companies, ThyssenKrupp Bilstein has been a reliable advocate and business partner to the Hamilton community for many years. The company began production at its facility just off Symmes Road in 1995. With only about 185 employees in 2011, the German-based auto parts manufacturer has grown to approximately 750 employees as of December 2020, and invested a total of \$43.2 million in expanding its facilities. In 2018, Bilstein collaborated with LifeSpan and Butler County United Way to employ a life coach for its staff. So far, the life coach has assisted over 40 employees in areas such as mental health, transportation, public benefits, eldercare, housing, childcare, grief counseling, and personal finance. The services are aimed at helping employees stay focused, meet performance expectations, and remain employed. Hamilton has many wonderful employers, and as one of them, Bilstein has consistently demonstrated its commitment to our city and this region as a whole.

The Hamilton Community Foundation launched its Talent Attraction Program (TAP) Scholarship in early 2018. This program acts like a reverse scholarship, incentivizing any college graduates with a degree in a STEAM (science, technology, engineering, arts, or math) field to move to downtown Hamilton and work in Butler County in exchange for student loan repayment assistance. Those who receive the scholarship earn \$200 per month (up to \$5,000 total over two years). This is just one of a variety of efforts taken in the Hamilton community to address the statewide issues of worker shortages, low educational attainment, and a shrinking and aging population.

In 2020, the developer of the Marcum Apartments in Hamilton signed a development agreement to build another mixed-use development on Main Street in Hamilton. This is another significant win for the City providing much needed density in that area to visit many of Hamilton's small business community. The Spooky Nook at Champion Mill project, led by Manheim, PA-based Spooky Nook Sports LLC, is moving along in a timely fashion with construction, and is slated to open in early 2022. The complex includes the construction of the largest indoor sports complex in North America, fitness center, hotel, restaurants, brewery, the second largest convention space in southwest Ohio, and other entertainment venues. 80 Acres, a vertical organic farming company, officially opened its enormous \$30 million-plus indoor farming complex in Hamilton's Enterprise Park. Hamilton is also home to the corporate headquarters of 80 Acres and Infinite Acres located in downtown Hamilton.

In recent years, the City has focused on revitalizing the historic Main Street Business District. The City has invested more than \$3.7 million in the Streetscape and infrastructure project culminating with the completion of the Main-Millville-Eaton Intersection Improvement project. This project realigned the Eaton and Millville Avenue approaches to the Main Street intersection so that they are directly across from each other. The project significantly improves traffic operations and safety at the intersection.

In July 2020, Saica Group, one of the largest and most advanced European players in the development and production of recycled paper for corrugated packaging, announced its first North American facility in Hamilton, Ohio. The company will construct a new 350,000 square-foot corrugated manufacturing facility in the Hamilton Enterprise Park. The company plans to build a state-of-the-art factory and expects to invest nearly \$72 million once construction of the curated plant is complete. The construction began in September 2020 and should take approximately eighteen months to finish. With this new project, Saica Group will create 64 new jobs in the City of Hamilton. The jobs created at the site will consist of 27 skilled operators, 15 manufacturing, engineering, and supply chain professionals, 13 sales staff, and 9 office and management jobs.

CITY OF HAMILTON, OHIO

Letter of Transmittal For the Year Ended December 31, 2020

In January 2020, TriHealth Bethesda Butler completed construction of their new Cancer Center at the Hamilton Enterprise Park. The \$5 million project included two phases and is now operational. Over the past year, Fort Hamilton Hospital has invested approximately \$14 million into equipment, infrastructure, and capital improvements. In February 2020, the State of Ohio recognized Fort Hamilton Hospital as a Provisional Level II Trauma Center and its emergency department was accredited senior-friendly by the American College of Emergency Physicians. Fort Hamilton also invested \$5.8 million in renovations to launch a new 12-bed inpatient rehabilitation unit.

In 2020, Salvagnini completed a 26,000 square-foot expansion of its current facility in Hamilton. Salvagnini designs, builds, sells, and services flexible machines and systems for processing sheet metal. The \$7 million expansion project focuses on the company's machines, IoT utilization, service, and virtual simulations and features dedicated areas for education, training, and design-for-manufacturing concepts. Hamilton Caster, one of Hamilton's oldest employers, completed a \$6.5 million expansion of their facility in 2020. The 113 year-old Hamilton company's new 65,000 square foot facility will become the company's new corporate offices. It will also house fiber lasers, robotic welders, CNC-Machines, and a powder paint system. The new facility will offer manufacturing and office space, extend Hamilton Caster's lot to 6.2 total acres, and expand under-roof square footage to approximately 162,000.

In 2020, 80 Acres Farms officially opened their \$30 million indoor farming complex in Hamilton Enterprise Park. The 64,000 square foot indoor farm can produce 300 times more food than an ordinary farm using 100% renewable energy and 97% less water, with the need for pesticides. The company is revolutionizing the way Americans grow, sell, buy, and eat food. The company's headquarters are located in Hamilton, and has facilities in Ohio, Arkansas, North Carolina, and Alabama.

INTERNAL ACCOUNTING AND BUDGETARY CONTROLS

The City's budgetary accounting system was designed to provide reasonable, but not absolute, assurances that:

1. The City's assets are protected against loss and unauthorized use or disposition; and
2. Reliable financial reports for preparing financial statements and providing accountability for assets are maintained.

The concept of reasonable assurance states internal controls should be evaluated using the following criteria:

1. The expenditure associated with providing the internal controls should not exceed the benefits likely to be derived from their implementation; and
2. The evaluation of the offsetting costs and benefits involves estimates and judgment by the members of the Finance Department.

It is the belief of the administrative and financial management personnel that the City's financial controls adequately safeguard existing assets and provide reasonable assurance of the proper recording of financial transactions.

CITY OF HAMILTON, OHIO

Letter of Transmittal For the Year Ended December 31, 2020

Budgetary control is maintained by an encumbrance of purchase commitment amounts prior to the release of purchase orders to vendors. The City Manager and the appropriate Department Director submit requisitions for the expenditure of monies to the Director of Finance for certification of funds and preparation of a purchase order after approval. The purchase order is reviewed for the availability of funds and the estimated expenditure is encumbered against the available appropriation. Encumbrances, which would exceed the available appropriation, are not approved or recorded until City Council authorizes additional appropriations. Unencumbered appropriations lapse at the end of each year.

The Government Finance Officers Association (GFOA) recommends local governments establish a rainy day fund equal to at least two months operating reserve or 16.7% of annual expenditures. In 2012, City Council enacted Budget and Financial Policies Resolution #R2012-6-25, which requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of annual expenditures. Per this resolution, if the General Fund reserve rises above 16% of General Fund revenues at the fiscal year-end, the amount over 16% will be swept into an Economic Budget Stabilization Fund, which can be expended only through special action by City Council.

In 2020, the City was successful in holding General Fund expenditures below 2019 levels, thanks in large part to the City's strategic use of Federal CARES Act funding. The City used approximately \$1.8 million of these funds for health and public safety payroll expenditures. As a result, salary and benefits expense decreased \$1.1 million in 2020 compared to 2019. Non-salary and benefit expenditures decreased 2.70% and income tax receipts were up 1.41% (all funds) over 2019. The City transferred \$2.2 million into the Economic Budget Stabilization fund in January 2021, due to the City's improving fiscal condition that was created by controlling expenditures and increased revenues through ongoing economic development. After that transfer, the balance in the City's Economic Budget Stabilization fund was \$4,200,000.

INDEPENDENT AUDIT

Included in this report is the unmodified audit opinion rendered on the City's financial statements for the year ended December 31, 2020, by Clark, Schaefer, Hackett & Co. City management plans to continue to subject the financial statements to an annual independent audit as part of the preparation of a Comprehensive Annual Financial Report. This annual independent audit serves to maintain and strengthen the City's accounting and budgetary controls.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Hamilton for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2019. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized Comprehensive Annual Financial Report, whose contents conform to program standards.

A Certificate of Achievement is valid for a period of one year only. We believe our current report continues to conform to the Certificate of Achievement program requirements and we are submitting it to the GFOA.

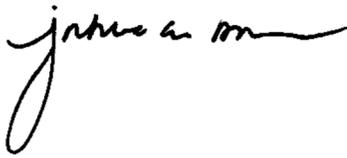
CITY OF HAMILTON, OHIO

***Letter of Transmittal
For the Year Ended December 31, 2020***

ACKNOWLEDGEMENTS

The City of Hamilton is proud to be submitting this Comprehensive Annual Financial Report, which is the result of the continued cooperation and combined efforts of the City's Finance Department staff. Special thanks to Assistant Finance Director Matthew McKinney and his staff for their outstanding work that created this document.

The support of the Hamilton City Council was essential in the successful preparation and issuance of this report.



Joshua A. Smith
City Manager



David C. Jones, CPA
Director of Finance

CITY OF HAMILTON, OHIO

***List of Principal Officials
For the Year Ended December 31, 2020***

***ELECTED
OFFICIALS***

Pat Moeller
Eric Pohlman
Robert Brown
Carla Fiehrer
Michael Ryan
Susan Vaughn
Timothy Naab
Daniel J. Gattermeyer, Judge

OFFICE

Mayor
Vice Mayor
Council Member
Council Member
Council Member
Council Member
Council Member
Municipal Court

***ADMINISTRATIVE
PERSONNEL***

Joshua A. Smith
Timothy Werdmann
Thomas Vanderhorst
James Logan
J. Scott Scrimizzi
David Jones, CPA
Letitia Block
Brandon Saurber
Ken Carrier
Jeanne Pope
Craig Bucheit
Mark Mercer
Jody Gunderson
Adam Helms
Kenneth Rivera
Kay Farrar
Elizabeth Hayden
Dan Moats
Richard Engle, P.E.
Jim Williams
Daniel Tidyman

TITLE

City Manager
Executive Director of Internal Services
Executive Director of External Services
Executive Director of Infrastructure Services
Executive Director of Public Safety
Director of Finance
Director of Law
Director of Neighborhoods
Director of Strategy & Information
Director of Civil Service and Personnel
Police Chief
Fire Chief
Director of Economic Development
Director of Resident Services
Director of Building
Director of Health
Director of Planning
Director of Utility Operations
Director of Engineering
Director of Public Works
City Clerk

CITY OF HAMILTON, OHIO

**City Organizational Chart
For the Year Ended December 31, 2020**





Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**City of Hamilton
Ohio**

For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

December 31, 2019

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION





INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of City Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio (the "City") as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hamilton, Ohio, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof, and the respective budgetary comparisons for the General Fund and Health Department Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as identified in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 29, 2021 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021



CITY OF HAMILTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

This discussion and analysis of the City of Hamilton's financial performance provides an overall review of the City's financial activities for the fiscal year ended December 31, 2020. The intent of this discussion and analysis is to look at the City's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the City's financial performance.

FINANCIAL HIGHLIGHTS

Key (***GAAP Basis***) financial highlights for 2020 are as follows:

- ❑ In total, net position decreased \$4,187,658. Net position of governmental activities increased \$1,497,231, or 4%. Net position of business-type activities decreased \$5,684,889, or 2%.
- ❑ General revenues accounted for \$47,890,396 in revenue or 23% of all revenues. Program specific revenues in the form of charges for services and grants and contributions accounted for \$156,232,418, or 77%, of total revenues of \$204,122,814.
- ❑ The City had \$75,540,874 in expenses related to governmental activities; \$30,553,177 of these expenses were offset by program specific charges for services, grants or contributions. General revenues of \$46,484,928 were adequate to provide for these programs.
- ❑ The general fund had \$41,812,630 in revenues and \$31,402,986 in expenditures. The general fund's fund balance increased from \$17,041,141 to \$25,362,198.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four parts – *management's discussion and analysis*, the *basic financial statements*, *required supplementary information*, and an optional section that presents *combining and individual statements* for nonmajor governmental funds. The basic financial statements include two kinds of statements that present different views of the City:

These statements are as follows:

1. *The Government-Wide Financial Statements* – These statements provide both long-term and short-term information about the City's overall financial status.
2. *The Fund Financial Statements* – These statements focus on individual parts of the City, reporting the City's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. Required supplemental information is also presented, which provides additional data regarding the net pension and OPEB liabilities.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the City's assets, liabilities, and deferred outflows/inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net-position is one way to measure the City's financial health.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City you need to consider additional nonfinancial factors such as the City's tax base and the condition of the City's capital assets.

The government-wide financial statements of the City are divided into two categories:

- Governmental Activities – Most of the City's programs and services are reported here including security of persons and property, public health and welfare services, basic utility services, leisure time activities, community environment, transportation and general government.
- Business-Type Activities – These services are provided on a charge for goods or services basis to recover all of the expenses of the goods or services provided. The City's gas, electric, water and wastewater services are reported as business-type activities.

Fund Financial Statements

Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes. The fund financial statements provide more detailed information about the City's most significant funds, not the City as a whole.

Governmental Funds – Most of the City's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is reconciled in the financial statements. The City maintains a multitude of individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental statement of revenues, expenditures and changes in fund balances for the major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of combining statements elsewhere in this report.

CITY OF HAMILTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

Proprietary Funds – The City maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its gas, electric, water and wastewater operations. All enterprise funds are reported as major funds in the proprietary funds Statement of Net Position and Statement of Revenues, Expenses and Changes in Fund Net Position.

Internal Service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for its fleet management services and costs of certain goods or services provided to other departments or agencies of the City.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the City's own programs. All of the City's fiduciary activities are reported in a separate Statement of Net Position and Statement of Changes in Net Position. Individual fund data for each of these funds is provided in the form of combining statements elsewhere in this report.

This space intentionally left blank.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

As noted earlier, net position may serve over time as a useful indicator of a government's financial health. In the case of the City, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$262,946,426 (\$34,955,437 in governmental activities and \$227,990,989 in business type activities) as of December 31, 2020. By far, the largest portion of the City's net position (\$277,026,294) reflects its investment in capital assets (e.g., land, buildings, machinery and equipment, infrastructure), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The table below provides a summary of the City's statement of net position for 2020 compared to 2019.

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$91,504,427	\$62,493,588	\$110,170,348	\$115,525,739	\$201,674,775	\$178,019,327
Capital assets, Net	119,268,585	115,335,322	310,806,114	306,816,452	430,074,699	422,151,774
Total Assets	<u>210,773,012</u>	<u>177,828,910</u>	<u>420,976,462</u>	<u>422,342,191</u>	<u>631,749,474</u>	<u>600,171,101</u>
Deferred Outflows of Resources	16,686,497	27,665,166	8,147,329	13,554,389	24,833,826	41,219,555
Net Pension Liability	60,252,083	76,588,141	25,011,928	34,133,406	85,264,011	110,721,547
Net OPEB Liability	16,190,562	15,480,634	17,770,068	16,458,460	33,960,630	31,939,094
Total OPEB Liability	326,308	300,592	1,305,232	1,202,368	1,631,540	1,502,960
Other Long-term Liabilities	89,582,856	60,157,951	133,516,934	137,050,581	223,099,790	197,208,532
Other Liabilities	7,025,986	9,320,348	15,677,143	12,857,132	22,703,129	22,177,480
Total Liabilities	<u>173,377,795</u>	<u>161,847,666</u>	<u>193,281,305</u>	<u>201,701,947</u>	<u>366,659,100</u>	<u>363,549,613</u>
Deferred Inflows of Resources	19,126,277	10,188,204	7,851,497	518,755	26,977,774	10,706,959
Net Position						
Net Investment in Capital Assets	85,377,651	73,715,986	191,648,643	192,842,977	277,026,294	266,558,963
Restricted	8,747,676	9,554,467	11,147,393	11,971,595	19,895,069	21,526,062
Unrestricted (Deficit)	(59,169,890)	(49,812,247)	25,194,953	28,861,306	(33,974,937)	(20,950,941)
Total Net Position	<u>\$34,955,437</u>	<u>\$33,458,206</u>	<u>\$227,990,989</u>	<u>\$233,675,878</u>	<u>\$262,946,426</u>	<u>\$267,134,084</u>

An additional portion of the City's net position represents resources that are subject to external restrictions on how they may be used. In the current year, this represented \$19,895,069.

The net pension liability (NPL) is reported by the City pursuant to GASB Statement 68, "Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27." The net OPEB liability (NOL) is reported by the City pursuant to GASB Statement 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions," which significantly revises accounting for costs and liabilities related to other postemployment benefits (OPEB). For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the City's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the OPEB liabilities to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the Net Pension and Net OPEB liabilities reported in the City's financial statements as a result of the City's participation in the Ohio Public Employee's Retirement System and Ohio Police and Fire Pension Fund. The Total OPEB liability reported in the City's financial statements reflects OPEB benefits provided by the City through a Retiree Life Insurance plan. See Note 11 for more information on this plan.

Governmental Accounting Standards Board standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB 27) and postemployment benefits (GASB 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB 68 and GASB 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB 68 and GASB 75 require the net pension liability and the net OPEB liability to equal the City's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee, and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the City is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities, but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB 68 and GASB 75, the City's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

Change in Net Position – The following table shows the change in net position for 2020 compared with 2019:

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program Revenues:						
Charges for Services and Sales	\$18,122,750	\$18,356,658	\$125,593,508	\$131,009,724	\$143,716,258	\$149,366,382
Operating Grants and Contributions	9,323,536	6,358,220	85,733	742,114	9,409,269	7,100,334
Capital Grants and Contributions	3,106,891	3,881,170	0	0	3,106,891	3,881,170
Total Program Revenues	<u>30,553,177</u>	<u>28,596,048</u>	<u>125,679,241</u>	<u>131,751,838</u>	<u>156,232,418</u>	<u>160,347,886</u>
General Revenues:						
Property Taxes	5,918,411	5,708,134	0	0	5,918,411	5,708,134
Income Taxes	30,414,174	28,838,412	0	0	30,414,174	28,838,412
Other Local Taxes	3,163,074	3,290,355	0	0	3,163,074	3,290,355
Intergovernmental, Unrestricted	2,543,229	2,742,242	0	0	2,543,229	2,742,242
Investment Earnings	723,360	773,556	1,405,468	1,424,210	2,128,828	2,197,766
Miscellaneous	3,722,680	1,332,641	0	0	3,722,680	1,332,641
Total General Revenues	<u>46,484,928</u>	<u>42,685,340</u>	<u>1,405,468</u>	<u>1,424,210</u>	<u>47,890,396</u>	<u>44,109,550</u>
Total Revenues	<u>77,038,105</u>	<u>71,281,388</u>	<u>127,084,709</u>	<u>133,176,048</u>	<u>204,122,814</u>	<u>204,457,436</u>
Program Expenses						
General Government	7,266,275	8,781,340	0	0	7,266,275	8,781,340
Security of Persons and Property	35,594,939	4,871,606	0	0	35,594,939	4,871,606
Leisure Time Activities	2,232,464	3,182,781	0	0	2,232,464	3,182,781
Community Environment	9,914,098	2,644,798	0	0	9,914,098	2,644,798
Basic Utility Services	9,878,398	8,728,161	0	0	9,878,398	8,728,161
Transportation	5,554,662	8,140,992	0	0	5,554,662	8,140,992
Public Health and Welfare Services	2,348,847	1,418,978	0	0	2,348,847	1,418,978
Interest and Fiscal Charges	2,751,191	2,155,256	0	0	2,751,191	2,155,256
Gas Utility	0	0	19,067,720	21,001,035	19,067,720	21,001,035
Electric Utility	0	0	83,678,299	84,314,775	83,678,299	84,314,775
Water Utility	0	0	16,662,378	16,724,324	16,662,378	16,724,324
Wastewater Utility	0	0	13,361,201	13,779,455	13,361,201	13,779,455
Total Expenses	<u>75,540,874</u>	<u>39,923,912</u>	<u>132,769,598</u>	<u>135,819,589</u>	<u>208,310,472</u>	<u>175,743,501</u>
Total Change in Net Position	1,497,231	31,357,476	(5,684,889)	(2,643,541)	(4,187,658)	28,713,935
Beginning Net Position	<u>33,458,206</u>	<u>2,100,730</u>	<u>233,675,878</u>	<u>236,319,419</u>	<u>267,134,084</u>	<u>238,420,149</u>
Ending Net Position	<u>\$34,955,437</u>	<u>\$33,458,206</u>	<u>\$227,990,989</u>	<u>\$233,675,878</u>	<u>\$262,946,426</u>	<u>\$267,134,084</u>

CITY OF HAMILTON, OHIO

**Management’s Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

Governmental Activities

Governmental activities net position increased \$1,497,231, or 4% during 2020. An increase in operating grants can be attributed to Coronavirus Relief Funding. Federal funding received by private employers as part of the Paycheck Protection Program resulted in increased income tax receipts for the City. An increase in miscellaneous revenue can mostly be attributed to refunds received from the Ohio Bureau of Workers’ Compensation.

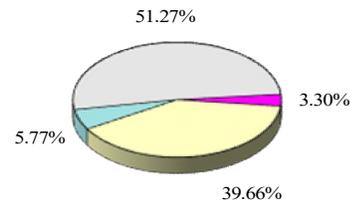
Capital grants and contributions consisted of state and federal grants for various infrastructure improvements.

A substantial decrease in security of persons and property expense in the prior year due to changes in the Ohio Police and Fire net OPEB liability resulted in a subsequent increase in security of persons and property expense in the current year. The City completed several emergency storm water repairs in 2020, resulting in an increase in basic utility services. Operations of the City's two municipal golf courses were transferred to the Hamilton Parks Conservancy in early 2020, resulting in a decrease in leisure time activities expense. An increase in public health and welfare was the result of Covid-19 related expenses. A decrease in transportation expense can be attributed in part to City contributions in the prior year toward a township roundabout project.

The City receives an income tax, which is based on 2% of all salaries, wages, commissions and other compensation and on net profits earned from residents and businesses located within the City.

Income taxes and property taxes made up 39% and 8%, respectively, of revenues for governmental activities in 2020. The City’s reliance upon tax revenues is demonstrated by the following graph indicating 51% of total revenues from general tax revenues:

Revenue Sources	2020	Percent of Total
General Tax Revenues	\$39,495,659	51.27%
Intergovernmental, Unrestricted	2,543,229	3.30%
Program Revenues	30,553,177	39.66%
General Other	4,446,040	5.77%
Total Revenue	\$77,038,105	100.00%



Business-Type Activities

Net position of the business-type activities decreased \$5,684,889. This represents a 2% change from the prior year.

Gas Utility revenues and expenses for purchased gas declined due to a decrease in customer demand, which can be attributed to a mild winter.

Electric Utility revenues and expense for purchased power decreased due to decreased demand. A decrease in personal services was the result of changes in the net pension and net OPEB liabilities.

Water and Wastewater Utility revenues and expenses were both consistent with the prior year.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

The City's governmental funds reported a combined fund balance of \$72,281,250, which is an increase from last year's balance of \$40,424,812. The schedule below indicates the fund balance and the total change in fund balance as of December 31, 2020 and 2019:

	Fund Balance December 31, 2020	Fund Balance December 31, 2019	Increase (Decrease)
General	\$25,362,198	\$17,041,141	\$8,321,057
Health Department	11,294	9,641	1,653
Hamilton Capital Improvement	31,711,200	742,557	30,968,643
Other Governmental	15,196,558	22,631,473	(7,434,915)
Total	\$72,281,250	\$40,424,812	\$31,856,438

General Fund – The City's General Fund balance change is due to several factors. The tables that follow assist in illustrating the financial activities of the General Fund:

	2020 Revenues	2019 Revenues	Increase (Decrease)
Income Taxes	\$23,587,806	\$22,221,230	\$1,366,576
Property and Other Local Taxes	5,327,832	5,459,433	(131,601)
Intergovernmental Revenues	2,823,980	2,341,896	482,084
Charges for Services	5,814,559	5,926,977	(112,418)
Licenses and Permits	1,381,336	1,024,174	357,162
Investment Earnings	545,723	637,568	(91,845)
Fines and Forfeitures	408,905	529,743	(120,838)
All Other Revenue	1,922,489	572,030	1,350,459
Total	\$41,812,630	\$38,713,051	\$3,099,579

General Fund revenues increased \$3,099,579, or approximately 8%, when compared with the previous year. Federal funding received by private employers as part of the Paycheck Protection Program resulted in increased income tax receipts for the City. Licenses and permits increased due to increases in various building permits. An increase in all other revenue can be attributed to refunds received from the Ohio Bureau of Worker's Compensation.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

	2020 Expenditures	2019 Expenditures	Increase (Decrease)
General Government	\$5,543,593	\$6,109,052	(\$565,459)
Security of Persons and Property	22,424,193	26,307,892	(3,883,699)
Leisure Time Activities	1,240,350	1,611,892	(371,542)
Community Environment	482,106	696,938	(214,832)
Basic Utility Services	311,524	346,056	(34,532)
Debt Service:			
Principal Retirement	465,000	525,000	(60,000)
Interest and Fiscal Charges	936,220	527,146	409,074
Total	\$31,402,986	\$36,123,976	(\$4,720,990)

General Fund expenditures decreased \$4,720,990, or approximately 13% from the prior year. An increase in general government in the prior year due to a \$600,000 grant to the Hamilton Community Improvement Corporation resulted in a subsequent decrease in general government in the current year. A decrease in security of persons and property can be attributed to an increase in reimbursements to the General Fund from several public safety funds, as well as a portion of police and fire wages being paid from the Coronavirus Relief Fund. An increase in the prior year in leisure time activities due to amounts paid to the Hamilton Parks Conservancy for the purchase of golf carts resulted in a subsequent decrease in leisure time activities in the current year.

Health Department Fund – The City’s Health Department Fund remained stable, increasing from a balance of \$9,641 to \$11,294. Public health expenditures of \$1,146,368 were funded by grants, charges for services, licenses and permits, and transfers in from the general fund.

Hamilton Capital Improvement Fund – The City’s Capital Improvement Fund balance increased substantially in 2020. The increase in fund balance can be attributed to the issuance of Special Obligation bonds to (i) provide grants and loans to the Hamilton Community Improvement Corporation (CIC) and to the Consortium for Ongoing Reinvestment Efforts (CORE) for the purpose of facilitating the acquisition and improvement of properties in the City, and (ii) to provide financing for the Spooky Nook project at the former Champion Paper Mill property.

Other Governmental Funds – The City’s Other Governmental Funds reported a decrease in fund balance of \$7,434,915.

An increase in intergovernmental revenues can be attributed to Coronavirus Relief Funding. Operations of the City's two municipal golf courses were transferred to the Hamilton Parks Conservancy in early 2020, resulting in a decrease in leisure time activities expenditures. The City completed several emergency storm water repairs in 2020, resulting in an increase in basic utility services.

A substantial increase in capital outlay can be attributed to contributions made to the Hamilton Community Improvement Corporation, as well as various infrastructure improvements.

An increase in reimbursements to the General Fund from several public safety Other Governmental Funds resulted in an increase in security of persons and property.

CITY OF HAMILTON, OHIO

*Management's Discussion and Analysis
For the Year Ended December 31, 2020*

Unaudited

Budgetary

The City's budget is prepared according to Ohio law and is based on accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The most significant budgeted fund is the General Fund. During the course of 2020 the City amended its General Fund budget several times.

For the General Fund, original budgeted revenues, final budgeted revenues, and actual budget basis receipts were not materially different. Actual budget basis expenditures were 10% less than final budget estimates due mostly to the shifting of public safety costs to the Coronavirus Relief Fund.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had \$430,074,699 invested in land, construction in progress, buildings, improvements, infrastructure, and machinery and equipment, net of accumulated depreciation. Of this total, \$119,268,585 was related to governmental activities and \$310,806,114 to the business-type activities. The following tables show 2020 and 2019 balances:

	Governmental Activities		Increase (Decrease)
	2020	2019	
Land	\$19,426,143	\$19,937,050	(\$510,907)
Construction In Progress	33,872,983	32,937,720	935,263
Buildings and Improvements	46,189,478	46,125,534	63,944
Machinery and Equipment	33,124,974	32,023,607	1,101,367
Infrastructure	173,430,997	167,458,924	5,972,073
Less: Accumulated Depreciation	(186,775,990)	(183,147,513)	(3,628,477)
Totals	<u>\$119,268,585</u>	<u>\$115,335,322</u>	<u>\$3,933,263</u>

Land decreased due to the sale of property in Hamilton Enterprise Park.

Construction in progress increased as a direct result of the 2019 concrete repair and resurfacing project, street improvements and storm sewer improvements near the Spooky Nook sports complex.

Buildings and improvements increased due to improvements to a building used by maintenance personnel.

Machinery and equipment increased due to the first responders communication upgrade, the purchase of several police cars, several pieces of safety equipment for the fire department and two dump trucks for public works.

Infrastructure increased due to the completion of the Eaton/Main/Millville intersection improvement project, two concrete repair and resurfacing projects, and storm sewer improvements.

CITY OF HAMILTON, OHIO

**Management's Discussion and Analysis
For the Year Ended December 31, 2020**

Unaudited

	Business-Type Activities		Increase (Decrease)
	2020	2019	
Land	\$7,908,794	\$7,908,794	\$0
Construction in Progress	42,092,475	33,227,873	8,864,602
Intangible Capital Assets	1,070,786	1,070,786	0
Buildings and Improvements	132,416,364	132,324,528	91,836
Machinery and Equipment	678,769,515	669,123,799	9,645,716
Less: Accumulated Depreciation	(551,451,820)	(536,839,328)	(14,612,492)
Totals	<u>\$310,806,114</u>	<u>\$306,816,452</u>	<u>\$3,989,662</u>

The increase in construction in progress was due to two gas main replacement projects, continued construction of a new substation, electric upgrades near the Spooky Nook sports complex, governor control upgrades and FERC relicensing efforts at the Greenup Hydro facility and several sanitary sewer projects.

Buildings and improvements increased as a direct result of improvements to an electric maintenance building and the construction of a transformer vault.

Machinery and equipment increased due to the completion of a substation upgrade project, protective relays upgrade project at the Greenup Hydro facility and two water main replacement projects. Several utility vehicles were purchased including two bucket trucks and three bobcat machines for electric, and two excavators for water reclamation. Additional information on the City's capital assets can be found in Note 9.

Debt and Other Long-Term Obligations

The following table summarizes the City's debt and other long-term obligations outstanding as of December 31, 2020 and 2019:

	2020	2019
Governmental Activities:		
General Obligation Bonds	\$15,472,141	\$13,402,229
Special Obligation Non-Tax Revenue Bonds	31,900,000	0
Income Tax Revenue Bonds	9,508,411	10,265,609
Special Assessment Bonds	110,000	210,000
OWDA Loans	4,039,070	3,331,707
Long Term Notes	0	3,893,340
Capital Leases	23,870,000	24,335,000
Compensated Absences	4,683,234	4,720,066
Total Governmental Activities	<u>89,582,856</u>	<u>60,157,951</u>
Business-Type Activities:		
Mortgage Revenue Bonds	117,719,875	123,004,012
General Obligation Bonds	515,000	535,000
OWDA Loans	2,099,414	2,194,157
OPWC Loans	10,092,208	8,376,372
Compensated Absences	3,090,437	2,941,040
Total Business-Type Activities	<u>133,516,934</u>	<u>137,050,581</u>
Totals	<u>\$223,099,790</u>	<u>\$197,208,532</u>

CITY OF HAMILTON, OHIO

Management's Discussion and Analysis For the Year Ended December 31, 2020

Unaudited

Under state law, the City's general obligation bonded debt issues are subject to a legal limitation based on 10.5% of the total assessed value of real and personal property. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total assessed value of property. At December 31, 2020, the City's outstanding debt was below the legal limit. Additional information on the City's long-term debt can be found in Note 12.

ECONOMIC FACTORS

The City's Budget and Financial Policies Resolution R2012-6-25 requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of budgeted expenditures. Per this resolution, if the General Fund reserve rises above 16% of General Fund revenues at the fiscal year-end, the amount over 16% will be swept into an Economic Budget Stabilization Fund, which can be expended only through special action by City Council. The 2020 unencumbered General Fund cash was \$12,156,982 (non-GAAP), or 24.23% of 2020 qualifying General Fund revenues.

In 2020, the City received over \$4.1 million in CARES Act funds and was able to reimburse health and public safety salaries due to COVID-19 by \$1.8 million. In doing so the City was able to keep 2020 General Fund expenses down \$1.449 million or 3.2% from 2019 (non-GAAP). The City was also fortunate that income tax receipts were up 1.4% or \$414,172 (all funds) over 2019. Along with the CARES Act funding, the City received refunds from the Ohio Bureau of Workers Compensation (OBWC) in 2020 and January of 2021 amounting to \$3.9 million. Of this amount, \$2.2 million was placed in the City's Economic Budget Stabilization Fund and the City made a strategic decision not to transfer money from the General Fund to this fund. After that transfer, the balance in the City's Economic Budget Stabilization fund was \$4,200,000.

The GFOA recommends governments adopt rigorous policies for all operating funds in order to achieve and maintain a structurally balanced budget. The policy should include parameters for achieving and maintaining structural balance where recurring revenues are equal to or greater than recurring expenditures in the adopted budget. City Council Resolution 2012-6-25 sets forth these policies. The 2021 General Fund Adopted Budget is not structurally balanced with expenditures expected to be \$1.6 million higher than revenues due to the COVID-19 Pandemic when the budget was adopted. Fortunately, the first quarter of 2021 has started out strong, and we are not expecting to be anywhere close to that deficit.

In 2020, the developer of the Marcum Apartments in Hamilton signed a development agreement to build another mixed-use development on Main Street in Hamilton. This is another significant win for the City providing much needed density in that area to visit many of Hamilton's small business community. The Spooky Nook at Champion Mill project, led by Manheim, PA-based Spooky Nook Sports LLC, is moving along in a timely fashion with construction, and is slated to open in early 2022. The complex includes the construction of the largest indoor sports complex in North America, fitness center, hotel, restaurants, brewery, the second largest convention space in southwest Ohio, and other entertainment venues. 80 Acres, a vertical organic farming company, officially opened its enormous \$30 million-plus indoor farming complex in Hamilton's Enterprise Park. Hamilton is also home to the corporate headquarters of 80 Acres and Infinite Acres located in downtown Hamilton.

CITY OF HAMILTON, OHIO

***Management's Discussion and Analysis
For the Year Ended December 31, 2020***

Unaudited

Requests for Information

This financial report is designed to provide our citizens, taxpayers, creditors, investors and elected officials with a general overview of the City's finances and to show accountability for the money it receives. If you have any questions about this report or need additional information, contact the Office of the City of Hamilton Finance Director, 345 High Street, 4th Floor, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

CITY OF HAMILTON, OHIO

**Statement of Net Position
December 31, 2020**

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit <u>Hamilton Community Authority</u>
Assets:				
Equity in Pooled Cash and Investments	\$ 50,077,817	\$ 81,164,684	\$ 131,242,501	\$ 0
Cash and Investments	0	0	0	33,390,043
Receivables:				
Taxes	13,439,933	0	13,439,933	0
Accounts	1,361,674	15,021,298	16,382,972	0
Due From Other Governments	3,145,124	0	3,145,124	0
Interest	20,335	113,222	133,557	191,452
Special Assessments	424,315	0	424,315	0
Loans	19,491,108	0	19,491,108	0
Leases	0	0	0	23,870,000
Due from Primary Government	0	0	0	33,696,646
Inventory of Supplies at Cost	131,770	2,085,339	2,217,109	0
Prepaid Items	212,770	638,412	851,182	0
Restricted Assets:				
Cash and Investments	0	11,147,393	11,147,393	0
Cash with Fiscal Agent	3,199,581	0	3,199,581	0
Non-Depreciable Capital Assets	53,299,126	50,001,269	103,300,395	0
Depreciable Capital Assets, Net	65,969,459	260,804,845	326,774,304	0
Total Assets	210,773,012	420,976,462	631,749,474	91,148,141
Deferred Outflows of Resources:				
Deferred Charge on Debt Refunding	160,772	1,250,013	1,410,785	0
Pension	9,780,640	3,861,740	13,642,380	0
OPEB	6,745,085	3,035,576	9,780,661	0
Total Deferred Outflows of Resources	16,686,497	8,147,329	24,833,826	0
Liabilities:				
Accounts Payable	2,860,160	10,488,504	13,348,664	5,500
Accrued Wages and Benefits	1,096,833	665,822	1,762,655	0
Intergovernmental Payable	676,235	315,223	991,458	0
Payroll Withholding Payable	440,119	0	440,119	0
Claims Payable	784,530	0	784,530	0
Accrued Liabilities	441,778	956	442,734	0
Customer Deposits	2,680	3,136,027	3,138,707	0
Accrued Interest Payable	723,651	1,070,611	1,794,262	516,471
Long-Term Liabilities:				
Due Within One Year	5,442,420	6,796,147	12,238,567	480,000
Due in More Than One Year:				
Net Pension Liability	60,252,083	25,011,928	85,264,011	0
Net OPEB Liability	16,190,562	17,770,068	33,960,630	0
Total OPEB Liability	326,308	1,305,232	1,631,540	0
Other Amounts Due in More Than One Year	84,140,436	126,720,787	210,861,223	89,603,002
Total Liabilities	173,377,795	193,281,305	366,659,100	90,604,973

CITY OF HAMILTON, OHIO

Statement of Net Position
December 31, 2020

	Governmental Activities	Business-Type Activities	Total Primary Government	Component Unit Hamilton Community Authority
Deferred Inflows of Resources:				
Property Tax Levy for Next Fiscal Year	5,889,276	0	5,889,276	0
Pension	8,989,557	5,305,551	14,295,108	0
OPEB	4,247,444	2,545,946	6,793,390	0
Total Deferred Inflows of Resources	19,126,277	7,851,497	26,977,774	0
Net Position:				
Net Investment in Capital Assets	85,377,651	191,648,643	277,026,294	0
Restricted For:				
Debt Service	0	2,147,393	2,147,393	0
Capital Projects	383,275	0	383,275	0
Community Environment	368,456	0	368,456	0
General Government	610,931	0	610,931	0
Public Health and Welfare Services	11,294	0	11,294	0
Security of Persons and Property	5,181,751	0	5,181,751	0
Streets	2,116,969	0	2,116,969	0
Nonexpendable Endowments	75,000	0	75,000	0
Rate Stabilization	0	9,000,000	9,000,000	0
Unrestricted (Deficit)	(59,169,890)	25,194,953	(33,974,937)	543,168
Total Net Position	\$ 34,955,437	\$ 227,990,989	\$ 262,946,426	\$ 543,168

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

**Statement of Activities
For the Year Ended December 31, 2020**

	Expenses	Program Revenues		
		Charges for Services and Sales	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General Government	\$ 7,266,275	\$ 5,300,394	\$ 4,129,325	\$ 0
Security of Persons and Property	35,594,939	2,834,002	507,479	11,914
Leisure Time Activities	2,232,464	179,882	0	0
Community Environment	9,914,098	898,255	842,933	0
Basic Utility Services	9,878,398	7,540,591	0	0
Transportation	5,554,662	1,146,078	3,125,356	3,094,977
Public Health and Welfare Services	2,348,847	223,548	718,443	0
Interest and Fiscal Charges	2,751,191	0	0	0
Total Governmental Activities	<u>75,540,874</u>	<u>18,122,750</u>	<u>9,323,536</u>	<u>3,106,891</u>
Business-Type Activities:				
Gas Utility	19,067,720	17,849,755	0	0
Electric Utility	83,678,299	80,238,628	50,657	0
Water Utility	16,662,378	14,396,099	0	0
Wastewater Utility	13,361,201	13,109,026	35,076	0
Total Business-Type Activities	<u>132,769,598</u>	<u>125,593,508</u>	<u>85,733</u>	<u>0</u>
Total Primary Government	<u>\$ 208,310,472</u>	<u>\$ 143,716,258</u>	<u>\$ 9,409,269</u>	<u>\$ 3,106,891</u>
Component Unit:				
Hamilton Community Authority	<u>\$ 33,565,754</u>	<u>\$ 933,459</u>	<u>\$ 33,696,646</u>	<u>\$ 0</u>

General Revenues

Property Taxes Levied for:

- General Purposes
- Special Purposes
- Capital Purposes
- Income Tax
- Other Local Taxes
- Intergovernmental, Unrestricted
- Investment Earnings
- Miscellaneous

Total General Revenues

Change in Net Position

Net Position Beginning of Year

Net Position End of Year

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

Statement of Activities
For the Year Ended December 31, 2020

Net (Expense) Revenue and Changes in Net Position			Component Unit
Governmental Activities	Business-Type Activities	Total	Hamilton Community Authority
\$ 2,163,444	\$ 0	\$ 2,163,444	
(32,241,544)	0	(32,241,544)	
(2,052,582)	0	(2,052,582)	
(8,172,910)	0	(8,172,910)	
(2,337,807)	0	(2,337,807)	
1,811,749	0	1,811,749	
(1,406,856)	0	(1,406,856)	
(2,751,191)	0	(2,751,191)	
<u>(44,987,697)</u>	<u>0</u>	<u>(44,987,697)</u>	
0	(1,217,965)	(1,217,965)	
0	(3,389,014)	(3,389,014)	
0	(2,266,279)	(2,266,279)	
0	(217,099)	(217,099)	
<u>0</u>	<u>(7,090,357)</u>	<u>(7,090,357)</u>	
<u>\$ (44,987,697)</u>	<u>\$ (7,090,357)</u>	<u>\$ (52,078,054)</u>	
			<u>\$ 1,064,351</u>
2,258,481	0	2,258,481	0
2,412,832	0	2,412,832	0
1,247,098	0	1,247,098	0
30,414,174	0	30,414,174	0
3,163,074	0	3,163,074	0
2,543,229	0	2,543,229	0
723,360	1,405,468	2,128,828	98,959
3,722,680	0	3,722,680	0
<u>46,484,928</u>	<u>1,405,468</u>	<u>47,890,396</u>	<u>98,959</u>
1,497,231	(5,684,889)	(4,187,658)	1,163,310
33,458,206	233,675,878	267,134,084	(620,142)
<u>\$ 34,955,437</u>	<u>\$ 227,990,989</u>	<u>\$ 262,946,426</u>	<u>\$ 543,168</u>

CITY OF HAMILTON, OHIO

**Balance Sheet
Governmental Funds
December 31, 2020**

	General	Health Department	Hamilton Capital Improvement	Other Governmental Funds	Total Governmental Funds
Assets:					
Equity in Pooled Cash and Investments	\$ 20,038,064	\$ 11,294	\$ 17,748,289	\$ 12,273,160	\$ 50,070,807
Receivables:					
Taxes	7,596,136	0	624,208	5,219,589	13,439,933
Accounts	297,773	0	0	1,063,901	1,361,674
Intergovernmental	1,112,778	0	0	2,032,346	3,145,124
Interest	17,877	0	0	2,458	20,335
Special Assessments	0	0	0	424,315	424,315
Loans	1,800,000	0	14,105,034	3,586,074	19,491,108
Due from Other Funds	10,552	0	0	0	10,552
Interfund Receivable	1,292,220	0	0	0	1,292,220
Inventory of Supplies, at Cost	65,200	0	0	47,067	112,267
Prepaid Items	172,309	0	0	40,461	212,770
Restricted Assets:					
Cash and Cash Equivalents with Fiscal Agent	3,199,581	0	0	0	3,199,581
Total Assets	\$ 35,602,490	\$ 11,294	\$ 32,477,531	\$ 24,689,371	\$ 92,780,686
Liabilities:					
Accounts Payable	\$ 954,913	\$ 0	\$ 386,542	\$ 1,333,767	\$ 2,675,222
Accrued Wages and Benefits Payable	979,920	0	0	92,559	1,072,479
Intergovernmental Payable	573,196	0	0	92,320	665,516
Payroll Withholding Payable	440,119	0	0	0	440,119
Claims Payable	784,530	0	0	0	784,530
Accrued Liabilities	342,378	0	44,178	55,222	441,778
Customer Deposits	0	0	0	2,680	2,680
Due to Other Funds	0	0	0	10,552	10,552
Interfund Payable	0	0	0	1,239,900	1,239,900
Total Liabilities	4,075,056	0	430,720	2,827,000	7,332,776
Deferred Inflows of Resources:					
Unavailable Amounts	3,908,214	0	335,611	3,033,559	7,277,384
Property Tax Levy for Next Fiscal Year	2,257,022	0	0	3,632,254	5,889,276
Total Deferred Inflows of Resources	6,165,236	0	335,611	6,665,813	13,166,660
Fund Balance:					
Nonspendable	281,476	0	0	162,527	444,003
Restricted	0	11,294	31,711,200	6,584,991	38,307,485
Committed	0	0	0	2,507,621	2,507,621
Assigned	5,734,275	0	0	7,004,568	12,738,843
Unassigned	19,346,447	0	0	(1,063,149)	18,283,298
Total Fund Balance	25,362,198	11,294	31,711,200	15,196,558	72,281,250
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 35,602,490	\$ 11,294	\$ 32,477,531	\$ 24,689,371	\$ 92,780,686

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Reconciliation Of Total Governmental Fund Balances
To Net Position Of Governmental Activities
December 31, 2020***

Total Governmental Fund Balances \$ 72,281,250

***Amounts reported for governmental activities in the
statement of net position are different because***

Capital Assets used in governmental activities are not resources and therefore are not reported in the funds. 119,235,574

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds. 7,277,384

The net pension and OPEB liabilities are not due and payable in the current period; therefore, the liabilities and related deferred inflows/outflows are not reported in governmental funds:

Deferred Outflows - Pension	9,642,056	
Deferred Inflows - Pension	(8,799,161)	
Net Pension Liability	(59,354,497)	
Deferred Outflows - OPEB	6,643,195	
Deferred Inflows - OPEB	(4,156,652)	
Net OPEB Liability	(15,552,859)	
Total OPEB Liability	(326,308)	(71,904,226)

Internal service funds are used by management to charge back costs of services to individual funds. The assets, liabilities, and deferred outflows/inflows of the Fleet Maintenance Fund are included in governmental activities in the statement of net position. (1,884,131)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

General Obligation Bonds Payable	(15,165,000)	
Special Obligation Non-Tax Revenue Bonds Payable	(31,900,000)	
Special Assessment Bonds Payable	(110,000)	
Bond Premium	(307,141)	
Income Tax Revenue Bonds	(9,508,411)	
Ohio Water Development Authority Loans	(4,039,070)	
Deferred Loss on Refunding	160,772	
Capital Leases Payable	(23,870,000)	
Compensated Absences Payable	(4,587,913)	
Accrued Interest Payable	(723,651)	(90,050,414)

Net Position of Governmental Activities **\$ 34,955,437**

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement Of Revenues, Expenditures And Changes In Fund Balances
Governmental Funds
For The Year Ended December 31, 2020**

	General	Health Department	Hamilton Capital Improvement	Other Governmental Funds	Total Governmental Funds
Revenues:					
Income Taxes	\$ 23,587,806	\$ 0	\$ 3,016,189	\$ 3,770,238	\$ 30,374,233
Property and Other Local Taxes	5,327,832	0	0	3,724,516	9,052,348
Intergovernmental Revenues	2,823,980	378,436	155,790	11,519,737	14,877,943
Charges for Services	5,814,559	244,355	0	8,345,891	14,404,805
Licenses and Permits	1,381,336	134,374	0	608,265	2,123,975
Investment Earnings	545,723	189	117,398	60,050	723,360
Special Assessments	0	0	0	920,081	920,081
Fines and Forfeitures	408,905	0	0	278,886	687,791
All Other Revenue	1,922,489	1,464	1,575,561	496,344	3,995,858
Total Revenues	41,812,630	758,818	4,864,938	29,724,008	77,160,394
Expenditures:					
Current:					
General Government	5,543,593	0	0	703,161	6,246,754
Security of Persons and Property	22,424,193	0	0	8,560,807	30,985,000
Leisure Time Activities	1,240,350	0	0	569,668	1,810,018
Community Environment	482,106	0	0	1,247,112	1,729,218
Basic Utility Services	311,524	0	0	9,000,309	9,311,833
Transportation	0	0	0	3,066,211	3,066,211
Public Health and Welfare Services	0	1,146,368	0	1,057,619	2,203,987
Capital Outlay	0	0	1,974,424	15,868,796	17,843,220
Debt Service:					
Principal Retirement	465,000	0	0	5,526,407	5,991,407
Interest and Fiscal Charges	936,220	0	339,577	1,120,402	2,396,199
Total Expenditures	31,402,986	1,146,368	2,314,001	46,720,492	81,583,847
Excess (Deficiency) of Revenues Over (Under) Expenditures	10,409,644	(387,550)	2,550,937	(16,996,484)	(4,423,453)
Other Financing Sources (Uses):					
Sale of Capital Assets	5,977	0	943,126	10,143	959,246
OWDA Loans Issued	0	0	0	803,232	803,232
Bond Issuance	0	0	33,030,000	0	33,030,000
Premium on Bonds Issued	0	0	325,515	30,568	356,083
Refunding Bonds Issued	0	0	31,305,175	344,825	31,650,000
Refunded Bonds Redeemed	0	0	(30,172,348)	(366,417)	(30,538,765)
Transfers In	0	389,203	500,000	11,121,337	12,010,540
Transfers Out	(2,100,753)	0	(7,513,762)	(2,396,025)	(12,010,540)
Total Other Financing Sources (Uses)	(2,094,776)	389,203	28,417,706	9,547,663	36,259,796
Net Change in Fund Balance	8,314,868	1,653	30,968,643	(7,448,821)	31,836,343
Fund Balance at Beginning of Year	17,041,141	9,641	742,557	22,631,473	40,424,812
Increase in Inventory	6,189	0	0	13,906	20,095
Fund Balance End of Year	\$ 25,362,198	\$ 11,294	\$ 31,711,200	\$ 15,196,558	\$ 72,281,250

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Reconciliation of the Statement Of Revenues, Expenditures
And Changes In Fund Balances of Governmental Funds
To The Statement of Activities
For The Year Ended December 31, 2020***

Net Change in Fund Balances - Total Governmental Funds \$ 31,836,343

Amounts reported for governmental activities in the statement of activities are different because

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.

Capital Outlay	8,213,005	
Depreciation Expense	(3,782,579)	4,430,426

The statement of activities reports losses arising from the disposal of capital assets. Conversely, the governmental funds do not report any loss on the disposal of capital assets. This is the loss on disposal of capital assets, net of proceeds. (510,907)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (122,289)

Contractually required contributions are reported as expenditures in governmental funds; however, the statement of net position reports these amounts as deferred outflows:

Pension	4,958,969	
OPEB	88,219	5,047,188

Except for amounts reported as deferred inflows/outflows, changes in the net pension and OPEB liabilities are reported as pension/OPEB expense in the statement of activities:

Pension	(7,580,257)	
OPEB	(1,626,416)	(9,206,673)

The issuance of long-term debt provides current financial resources to governmental funds, however, has no effect on net position.

General Obligation Bonds Issued	(2,500,000)	
General Obligation Refunding Bonds Issued	(1,625,000)	
Special Obligation Bonds Issued	(30,530,000)	
Special Obligation Refunding Bonds Issued	(30,025,000)	
Premium on Bonds Issued	(356,083)	
Ohio Water Development Authority Loan Issuance	(803,232)	(65,839,315)

(Continued)

CITY OF HAMILTON, OHIO

***Reconciliation of the Statement Of Revenues, Expenditures
And Changes In Fund Balances of Governmental Funds
To The Statement of Activities
For The Year Ended December 31, 2020***

Repayment of bond and loan principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net

General Obligation Bond Principal Payment	680,000	
Special Assessment Bond Principal Payment	100,000	
Income Tax Revenue Bond Principal Payment	757,198	
Refunded Bonds Redeemed	30,375,000	
OWDA Loan Principal Payment	95,869	
Long-Term Note Principal Retirement	3,893,340	
Capital Lease Principal Payment	465,000	
Change in Deferred Loss on Refunding	124,859	
Change in Bond Premium/Discount	11,171	36,502,437

In the statement of activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due. (327,257)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated Absences	35,714	
Change in Inventory	20,095	55,809

Internal Service Funds are used by management to charge costs to individual funds and are not reported in the statement of activities. Governmental fund expenditures and related internal service revenues are eliminated. The net revenue (expense) of the Fleet Maintenance Fund is allocated among the governmental activities. (368,531)

Change in Net Position of Governmental Activities \$ 1,497,231

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Year Ended December 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 21,520,000	\$ 21,580,382	\$ 22,801,947	\$ 1,221,565
Property and Other Local Taxes	5,425,000	5,425,000	5,321,677	(103,323)
Intergovernmental Revenues	2,466,400	3,507,433	3,183,663	(323,770)
Charges for Services	15,989,067	15,989,067	15,470,678	(518,389)
Licenses and Permits	867,070	875,070	1,515,710	640,640
Investment Earnings	177,500	177,500	463,139	285,639
Fines and Forfeitures	632,113	632,113	423,277	(208,836)
All Other Revenue	300,750	300,750	491,970	191,220
Total Revenues	<u>47,377,900</u>	<u>48,487,315</u>	<u>49,672,061</u>	<u>1,184,746</u>
Expenditures:				
Current:				
Security of Persons and Property	32,497,083	32,693,155	29,854,450	2,838,705
Public Health and Welfare Services	1,322,751	1,701,961	1,342,261	359,700
Community Environment	1,355,702	1,324,980	1,099,627	225,353
Basic Utility Services	1,305,611	1,409,076	1,366,869	42,207
General Government	10,446,927	11,879,021	10,687,587	1,191,434
Total Expenditures	<u>46,928,074</u>	<u>49,008,193</u>	<u>44,350,794</u>	<u>4,657,399</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	449,826	(520,878)	5,321,267	5,842,145
Other Financing Sources (Uses):				
Sale of Capital Assets	1,500	1,500	5,977	4,477
Transfers In	0	200,000	200,000	0
Transfers Out	(1,152,491)	(2,065,415)	(2,006,965)	58,450
Total Other Financing Sources (Uses):	<u>(1,150,991)</u>	<u>(1,863,915)</u>	<u>(1,800,988)</u>	<u>62,927</u>
Net Change in Fund Balance	(701,165)	(2,384,793)	3,520,279	5,905,072
Fund Balance at Beginning of Year	7,935,535	7,935,535	7,935,535	0
Prior Year Encumbrances	701,166	701,166	701,166	0
Fund Balance at End of Year	<u>\$ 7,935,536</u>	<u>\$ 6,251,908</u>	<u>\$ 12,156,980</u>	<u>\$ 5,905,072</u>

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Special Revenue Fund – Health Department Fund
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 70	\$ 70	\$ 136	\$ 66
All Other Revenue	1,425	1,425	1,464	39
Total Revenues	1,495	1,495	1,600	105
Expenditures:				
Current:				
Public Health and Welfare Services	510	510	0	510
Total Expenditures	510	510	0	510
Net Change in Fund Balance	985	985	1,600	615
Fund Balance at Beginning of Year	9,617	9,617	9,617	0
Fund Balance at End of Year	\$ 10,602	\$ 10,602	\$ 11,217	\$ 615

See accompanying notes to the basic financial statements



CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 5,449,582	\$ 48,157,579	\$ 11,240,790
Restricted Cash and Investments	2,000,000	4,694,591	1,575,722
Receivables:			
Accounts	3,316,555	8,603,671	1,506,657
Interest	9,350	65,543	15,370
Inventory of Supplies at Cost	166,682	1,660,252	257,157
Prepaid Items	93,967	388,602	87,396
Total Current Assets	11,036,136	63,570,238	14,683,092
Noncurrent Assets:			
Non Depreciable Capital Assets	3,807,915	28,183,274	9,743,118
Depreciable Capital Assets, Net	29,297,000	94,183,538	88,363,441
Total Noncurrent Assets	33,104,915	122,366,812	98,106,559
Total Assets	44,141,051	185,937,050	112,789,651
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	208,325	296,807	495,733
Pension	361,940	1,847,032	562,972
OPEB	315,579	1,405,953	463,030
Total Deferred Outflows of Resources	885,844	3,549,792	1,521,735
Liabilities:			
Current Liabilities:			
Accounts Payable	1,513,334	7,382,165	455,740
Accrued Wages and Benefits	63,181	323,407	103,582
Intergovernmental Payable	31,108	150,582	49,528
Accrued Liabilities - Current	0	956	0
Customer Deposits Payable	753,140	1,813,679	274,036
Interfund Payable	0	0	0
Compensated Absences Payable - Current	188,499	680,023	302,542
Accrued Interest Payable	33,363	390,821	251,938
General Obligation Bonds Payable - Current	0	0	0
Revenue Bonds Payable - Current	620,000	1,240,000	915,000
OWDA Loans Payable - Current	0	0	42,665
OPWC Loans Payable - Current	0	0	153,041
Total Current Liabilities	3,202,625	11,981,633	2,548,072

CITY OF HAMILTON, OHIO

Statement of Net Position
Proprietary Funds
December 31, 2020

	Wastewater	Total	Governmental Activities - Internal Service Funds
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 16,258,507	\$ 81,106,458	\$ 65,236
Restricted Cash and Investments	2,877,080	11,147,393	0
Receivables:			
Accounts	1,594,415	15,021,298	0
Interest	22,959	113,222	0
Inventory of Supplies at Cost	1,248	2,085,339	19,503
Prepaid Items	68,447	638,412	0
Total Current Assets	20,822,656	110,112,122	84,739
Noncurrent Assets:			
Non Depreciable Capital Assets	8,266,962	50,001,269	0
Depreciable Capital Assets, Net	48,960,866	260,804,845	33,011
Total Noncurrent Assets	57,227,828	310,806,114	33,011
Total Assets	78,050,484	420,918,236	117,750
Deferred Outflows of Resources:			
Deferred Charge on Debt Refunding	249,148	1,250,013	0
Pension	409,452	3,181,396	818,928
OPEB	350,185	2,534,747	602,719
Total Deferred Outflows of Resources	1,008,785	6,966,156	1,421,647
Liabilities:			
Current Liabilities:			
Accounts Payable	767,297	10,118,536	554,906
Accrued Wages and Benefits	73,145	563,315	126,861
Intergovernmental Payable	34,990	266,208	59,734
Accrued Liabilities - Current	0	956	0
Customer Deposits Payable	295,172	3,136,027	0
Interfund Payable	0	0	52,320
Compensated Absences Payable - Current	233,138	1,404,202	356,665
Accrued Interest Payable	394,489	1,070,611	0
General Obligation Bonds Payable - Current	20,000	20,000	0
Revenue Bonds Payable - Current	1,935,000	4,710,000	0
OWDA Loans Payable - Current	37,711	80,376	0
OPWC Loans Payable - Current	121,450	274,491	0
Total Current Liabilities	3,912,392	21,644,722	1,150,486

(Continued)

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Noncurrent Liabilities:			
General Obligation Bonds Payable	0	0	0
Revenue Bonds Payable	5,155,000	40,105,459	29,303,664
OWDA Loans Payable	0	0	765,492
OPWC Loans Payable	0	0	6,477,820
Compensated Absences Payable	137,121	627,534	263,309
Net Pension Liability	2,344,239	11,962,955	3,646,293
Net OPEB Liability	1,665,496	8,499,247	2,590,557
Total OPEB Liability	326,308	326,308	326,308
Total Noncurrent Liabilities	<u>9,628,164</u>	<u>61,521,503</u>	<u>43,373,443</u>
Total Liabilities	<u>12,830,789</u>	<u>73,503,136</u>	<u>45,921,515</u>
Deferred Inflows of Resources:			
Pension	497,260	2,537,596	773,453
OPEB	241,111	1,214,060	372,816
Total Deferred Inflows of Resources	<u>738,371</u>	<u>3,751,656</u>	<u>1,146,269</u>
Net Position:			
Net Investment in Capital Assets	28,464,765	89,493,657	61,871,326
Restricted for Debt Service	0	694,591	575,722
Restricted for Rate Stabilization	2,000,000	4,000,000	1,000,000
Unrestricted	992,970	18,043,802	3,796,554
Total Net Position	<u>\$ 31,457,735</u>	<u>\$ 112,232,050</u>	<u>\$ 67,243,602</u>

CITY OF HAMILTON, OHIO

**Statement of Net Position
Proprietary Funds
December 31, 2020**

	Wastewater	Total	Governmental Activities - Internal Service Funds
Noncurrent Liabilities:			
General Obligation Bonds Payable	495,000	495,000	0
Revenue Bonds Payable	38,445,752	113,009,875	0
OWDA Loans Payable	1,253,546	2,019,038	0
OPWC Loans Payable	3,339,897	9,817,717	0
Compensated Absences Payable	204,149	1,232,113	192,778
Net Pension Liability	2,651,956	20,605,443	5,304,071
Net OPEB Liability	1,884,120	14,639,420	3,768,351
Total OPEB Liability	326,308	1,305,232	0
Total Noncurrent Liabilities	48,600,728	163,123,838	9,265,200
Total Liabilities	52,513,120	184,768,560	10,415,686
Deferred Inflows of Resources:			
Pension	562,534	4,370,843	1,125,104
OPEB	272,236	2,100,223	536,515
Total Deferred Inflows of Resources	834,770	6,471,066	1,661,619
Net Position:			
Net Investment in Capital Assets	11,818,895	191,648,643	33,011
Restricted for Debt Service	877,080	2,147,393	0
Restricted for Rate Stabilization	2,000,000	9,000,000	0
Unrestricted	11,015,404	33,848,730	(10,570,919)
Total Net Position	\$ 25,711,379	\$ 236,644,766	\$ (10,537,908)
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		(8,653,777)	
Net Position of Business-type Activities		\$ 227,990,989	

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Business-Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
Operating Revenues:			
Charges for Services	\$ 17,848,021	\$ 79,975,957	\$ 14,216,099
Other Operating Revenues	1,734	262,671	180,000
Total Operating Revenues	<u>17,849,755</u>	<u>80,238,628</u>	<u>14,396,099</u>
Operating Expenses:			
Personal Services	3,080,517	11,551,884	5,184,934
Contractual Services	1,627,947	6,929,534	2,995,605
Materials and Supplies	176,923	980,853	1,309,287
Purchase of Gas and Electric	8,205,843	52,466,231	0
Depreciation	2,126,168	7,010,456	3,344,534
Other Operating Expenses	3,638,615	3,921,457	2,706,694
Total Operating Expenses	<u>18,856,013</u>	<u>82,860,415</u>	<u>15,541,054</u>
Operating Income (Loss)	(1,006,258)	(2,621,787)	(1,144,955)
Non-Operating Revenue (Expenses):			
Interest Income	133,180	803,545	187,345
Interest and Fiscal Charges	(195,047)	(1,274,234)	(1,049,385)
Loss on Disposal of Capital Assets	(16,660)	(7,562)	(71,939)
Grants	0	50,657	0
Total Non-Operating Revenues (Expenses)	<u>(78,527)</u>	<u>(427,594)</u>	<u>(933,979)</u>
Change in Net Position	(1,084,785)	(3,049,381)	(2,078,934)
Net Position Beginning of Year	<u>32,542,520</u>	<u>115,281,431</u>	<u>69,322,536</u>
Net Position End of Year	<u>\$ 31,457,735</u>	<u>\$ 112,232,050</u>	<u>\$ 67,243,602</u>

CITY OF HAMILTON, OHIO

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended December 31, 2020

	Wastewater	Total	Governmental Activities - Internal Service Funds
Operating Revenues:			
Charges for Services	\$ 13,063,853	\$ 125,103,930	\$ 10,690,967
Other Operating Revenues	45,173	489,578	22,648
Total Operating Revenues	13,109,026	125,593,508	10,713,615
Operating Expenses:			
Personal Services	4,019,550	23,836,885	5,345,837
Contractual Services	2,583,623	14,136,709	3,654,872
Materials and Supplies	258,444	2,725,507	1,321,269
Purchase of Gas and Electric	0	60,672,074	0
Depreciation	2,705,690	15,186,848	7,501
Other Operating Expenses	2,514,687	12,781,453	288,473
Total Operating Expenses	12,081,994	129,339,476	10,617,952
Operating Income (Loss)	1,027,032	(3,745,968)	95,663
Non-Operating Revenue (Expenses):			
Interest Income	281,398	1,405,468	(282)
Interest and Fiscal Charges	(1,279,207)	(3,797,873)	0
Loss on Disposal of Capital Assets	0	(96,161)	0
Grants	35,076	85,733	0
Total Non-Operating Revenues (Expenses)	(962,733)	(2,402,833)	(282)
Change in Net Position	64,299	(6,148,801)	95,381
Net Position Beginning of Year	25,647,080	242,793,567	(10,633,289)
Net Position End of Year	\$ 25,711,379	\$ 236,644,766	\$ (10,537,908)
Change in Net Position - Total Enterprise Funds		\$ (6,148,801)	
Adjustment to reflect the consolidation of internal service fund activities related to the enterprise funds.		463,912	
Change in Net Position - Business-type Activities		\$ (5,684,889)	

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$17,965,227	\$80,408,768	\$14,477,246
Cash Payments for Goods and Services	(13,617,668)	(61,779,303)	(7,078,637)
Cash Payments to Employees	(2,538,016)	(11,520,150)	(3,873,950)
Net Cash Provided (Used) by Operating Activities	<u>1,809,543</u>	<u>7,109,315</u>	<u>3,524,659</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	0	50,657	0
Kilowatt Hour Tax Received	0	2,314,634	0
Kilowatt Hour Tax Paid to State	0	(2,314,634)	0
Advances In from Other Funds	0	0	0
Net Cash Provided by Noncapital Financing Activities	<u>0</u>	<u>50,657</u>	<u>0</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
General Obligation Bond Principal Retirement	0	0	0
Revenue Bond Principal Retirement	(605,000)	(1,210,000)	(915,000)
OPWC Loan Proceeds	0	0	1,840,255
OWDA Loan Principal Retirement	0	0	(42,103)
OPWC Loan Principal Retirement	0	0	(63,694)
Interest and Fiscal Charges	(168,414)	(1,383,388)	(1,144,365)
Acquisition and Construction of Assets	(1,551,210)	(9,035,234)	(4,138,044)
Net Cash Used by Capital and Related Financing Activities	<u>(2,324,624)</u>	<u>(11,628,622)</u>	<u>(4,462,951)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	139,294	887,937	206,971
Net Cash Provided by Investing Activities	<u>139,294</u>	<u>887,937</u>	<u>206,971</u>
Net Decrease in Cash and Cash Equivalents	(375,787)	(3,580,713)	(731,321)
Cash and Cash Equivalents at Beginning of Year	7,825,369	56,432,883	13,547,833
Cash and Cash Equivalents at End of Year	<u>\$7,449,582</u>	<u>\$52,852,170</u>	<u>\$12,816,512</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$5,449,582	\$48,157,579	\$11,240,790
Restricted Cash and Cash Equivalents	2,000,000	4,694,591	1,575,722
Cash and Cash Equivalents at End of Year	<u>\$7,449,582</u>	<u>\$52,852,170</u>	<u>\$12,816,512</u>

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	Wastewater	Totals	Governmental- Activities Internal Service Funds
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$13,208,067	\$126,059,308	\$10,713,615
Cash Payments for Goods and Services	(5,306,796)	(87,782,404)	(5,275,109)
Cash Payments to Employees	(2,849,946)	(20,782,062)	(5,744,314)
Net Cash Provided (Used) by Operating Activities	<u>5,051,325</u>	<u>17,494,842</u>	<u>(305,808)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Intergovernmental Grants	35,076	85,733	0
Kilowatt Hour Tax Received	0	2,314,634	0
Kilowatt Hour Tax Paid to State	0	(2,314,634)	0
Advances In from Other Funds	0	0	52,320
Net Cash Provided by Noncapital Financing Activities	<u>35,076</u>	<u>85,733</u>	<u>52,320</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
General Obligation Bond Principal Retirement	(20,000)	(20,000)	0
Revenue Bond Principal Retirement	(1,905,000)	(4,635,000)	0
OPWC Loan Proceeds	0	1,840,255	0
OWDA Loan Principal Retirement	(52,640)	(94,743)	0
OPWC Loan Principal Retirement	(60,725)	(124,419)	0
Interest and Fiscal Charges	(1,600,632)	(4,296,799)	0
Acquisition and Construction of Assets	(1,836,475)	(16,560,963)	(29,811)
Net Cash Used by Capital and Related Financing Activities	<u>(5,475,472)</u>	<u>(23,891,669)</u>	<u>(29,811)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	306,675	1,540,877	(282)
Net Cash Provided by Investing Activities	<u>306,675</u>	<u>1,540,877</u>	<u>(282)</u>
Net Decrease in Cash and Cash Equivalents	(82,396)	(4,770,217)	(283,581)
Cash and Cash Equivalents at Beginning of Year	19,217,983	97,024,068	348,817
Cash and Cash Equivalents at End of Year	<u>\$19,135,587</u>	<u>\$92,253,851</u>	<u>\$65,236</u>
<u>Reconciliation of Cash and</u>			
<u>Cash Equivalents per the Statement of Net Position:</u>			
Cash and Cash Equivalents	\$16,258,507	\$81,106,458	\$65,236
Restricted Cash and Cash Equivalents	2,877,080	11,147,393	0
Cash and Cash Equivalents at End of Year	<u>\$19,135,587</u>	<u>\$92,253,851</u>	<u>\$65,236</u>

(Continued)

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	Business Type Activities		
	Enterprise Funds		
	Gas	Electric	Water
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	(\$1,006,258)	(\$2,621,787)	(\$1,144,955)
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,126,168	7,010,456	3,344,534
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	115,472	170,120	81,147
(Increase) Decrease in Inventory	9,365	(37,472)	12,143
Increase in Prepaid Items	(13,531)	(64,630)	(9,949)
Decrease in Deferred Outflows of Resources	452,984	2,517,449	585,876
Increase (Decrease) in Accounts Payable	64,176	279,464	(66,124)
Decrease in Accrued Wages and Benefits	(30,692)	(107,162)	(28,272)
Increase (Decrease) in Customer Deposits Payable	(30,668)	45,025	(5,612)
Increase in Accrued Liabilities	0	20	0
Increase (Decrease) in Intergovernmental Payable	(56)	6,133	6,165
Increase in Compensated Absences	7,039	55,699	29,651
Decrease in Net Pension Liability	(763,968)	(4,325,152)	(818,640)
Increase (Decrease) in Net OPEB Liability	166,780	645,440	437,655
Increase in Total OPEB Liability	25,716	25,716	25,716
Increase in Deferred Inflows of Resources	687,016	3,509,996	1,075,324
Total Adjustments	2,815,801	9,731,102	4,669,614
Net Cash Provided (Used) by Operating Activities	\$1,809,543	\$7,109,315	\$3,524,659

Schedule of Noncash Investing, Capital, and Financing Activities:

At December 31, 2020 the Gas, Electric, Water, and Wastewater Funds had outstanding liabilities of \$173,733, \$2,623,058, \$133,529, and \$560,056, respectively, for the purchase of certain capital assets.

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020***

	<u>Wastewater</u>	<u>Totals</u>	<u>Governmental- Activities Internal Service Funds</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Provided (Used) by Operating Activities:</u>			
Operating Income (Loss)	\$1,027,032	(\$3,745,968)	\$95,663
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation Expense	2,705,690	15,186,848	7,501
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Accounts Receivable	99,041	465,780	0
(Increase) Decrease in Inventory	593	(15,371)	2,378
Increase in Prepaid Items	(2,812)	(90,922)	0
Decrease in Deferred Outflows of Resources	357,850	3,914,159	1,562,073
Increase (Decrease) in Accounts Payable	59,393	336,909	(19,931)
Decrease in Accrued Wages and Benefits	(26,644)	(192,770)	(102,818)
Increase (Decrease) in Customer Deposits Payable	(10,356)	(1,611)	0
Increase in Accrued Liabilities	0	20	0
Increase (Decrease) in Intergovernmental Payable	3,148	15,390	(5,615)
Increase in Compensated Absences	42,266	134,655	13,624
Decrease in Net Pension Liability	(417,603)	(6,325,363)	(3,110,042)
Increase (Decrease) in Net OPEB Liability	404,038	1,653,913	(288,770)
Increase in Total OPEB Liability	25,716	102,864	0
Increase in Deferred Inflows of Resources	783,973	6,056,309	1,540,129
Total Adjustments	<u>4,024,293</u>	<u>21,240,810</u>	<u>(401,471)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$5,051,325</u>	<u>\$17,494,842</u>	<u>(\$305,808)</u>

CITY OF HAMILTON, OHIO

***Statement of Net Position
Fiduciary Funds
December 31, 2020***

	Custodial Funds
Assets:	
Equity in Pooled Cash and Investments	\$ 398,537
Receivables:	
Special Assessments	33,696,646
Total Assets	<u>34,095,183</u>
Liabilities:	
Intergovernmental Payable	127,124
Due to Others	2,814
Due to HCA	33,696,646
Total Liabilities	<u>33,826,584</u>
Net Position:	
Restricted For:	
Individuals and Other Governments	268,599
Total Net Position	<u>\$ 268,599</u>

See accompanying notes to the basic financial statements

CITY OF HAMILTON, OHIO

***Statement of Changes in Net Position
Fiduciary Funds
For the Year Ended December 31, 2020***

	Custodial Funds
Additions:	
Fines and Forfeiture Collections for Other Governments	\$ 1,745,240
Contributions Received for Others	11,123
Income Tax Collections for Other Governments	688,528
Receipt of Seized Property Held for Others	40,648
Total Additions	<u>2,485,539</u>
Deductions:	
Distribution of Fines and Forfeitures to Other Governments	1,745,240
Distribution of Contributions Received for Others	11,123
Distribution of Income Taxes to Other Governments	688,528
Distribution of Seized Property Held for Others	18,251
Total Deductions	<u>2,463,142</u>
Change in Net Position	22,397
Net Position at Beginning of Year	246,202
Net Position End of Year	<u><u>\$ 268,599</u></u>

See accompanying notes to the basic financial statements

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements are presented as of December 31, 2020 and for the year then ended and have been prepared in conformity with generally accepted accounting principles (GAAP) applicable to local governments. The Governmental Accounting Standards Board (the "GASB") is the standard-setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB's Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification).

A. Reporting Entity

The City of Hamilton, Ohio (the City) is a home rule municipal corporation created under the auspices of the laws and constitution of the State of Ohio. The origins of the City date back as early as 1791. In 1803, the State of Ohio officially created Butler County and named the City as the county seat in 1810. Hamilton operates under a city charter adopted November 2, 1926 which became effective on January 1, 1928. The current charter, as amended, was adopted November 7, 2000 and became effective on January 1, 2001.

A seven-member council elected by voters of the City governs the City. The Mayor, who is separately elected, is recognized as the official head of the City for all ceremonial purposes. The City also elects a municipal court judge (the Judge) to preside over the proceedings of the Hamilton Municipal Court. The Judge is elected to a six-year term.

The City Council appoints the City Manager who serves as Chief Executive Officer and Director of Public Safety. He is charged with the proper administration of all city affairs. The City Manager appoints all Directors and the Deputy City Manager-Operations, to whom the various utility systems' directors report. The City Manager also appoints the Finance Director, who acts as the Chief Financial Officer, as well as, the Directors of Law, Planning, Economic Development, Public Works, Health, Information Technology, the Chiefs of Police and Fire, and the Directors of the Electric and Gas and Water Utilities. Ultimately, the City Manager retains the power to appoint and remove all department heads, subordinate staff and employees and exercises control over all departments.

The services provided under the direction of the City Manager as delegated to each of the subordinate Directors and their departments comprise the primary government unit of the City. They have therefore been included as part of the reporting entity. The funds, agencies, boards and commissions that are a part of the primary government include the following services: operation of a municipal court, police and fire protection, health, parks and recreation, street maintenance, and other governmental services. In addition, the City owns and operates a gas distribution system, electric generation facilities and distribution system, a water treatment and distribution system, a wastewater treatment and collection system, all of which are reported as enterprise funds (business type-major). The City also operates parking facilities, athletic facilities, and two golf courses, which are reported as special revenue funds (governmental – non-major).

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

The reporting entity is composed of the primary government, component units and other organizations. The primary government includes all funds, organizations, activities and component units for which the City (the primary government) is financially accountable and that are not legally separate.

Component units are legally separate organizations for which the City is financially accountable. The City is financially accountable for an organization if it appoints a voting majority of the organization's governing board and either (1) the City is able to significantly influence the programs or services performed or provided by the organization, or (2) the City is legally entitled to or can otherwise access the organization's resources; the City is legally obligated or has otherwise assumed the responsibility to finance the deficits of or provide financial support to the organization; or the City is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the City in that the City approves the budget, the issuance of debt, or the levying of taxes. The City reports one blended component unit and one discretely presented component unit.

Blended Component Unit - The City of Hamilton Health Department (the "Health Department") is a blended component unit of the City. The constitution and laws of the State of Ohio establish the rights and privileges of the Health Department as a body corporate and politic. A six-member Board and a Health Commissioner govern the Health Department. The Health Department's services include communicable disease investigations, immunization clinics, and inspections, and the Health Department issues health-related licenses and permits. Although it is legally separate from the City, the Health Department is reported as if it were part of the primary government due to the fact that the Health Department provides services entirely to the City. The City manager appoints the members of the Board. The City provides operating support and approves the budget. Complete financial statements can be obtained from the City of Hamilton Department of Finance.

Discretely Presented Component Unit - The component unit column on the government-wide financial statements includes the financial data of the City's discretely presented component unit, the Hamilton Community Authority (the "Authority").

The Authority is a community authority created pursuant to Chapter 349 of the Ohio Revised Code. The City of Hamilton, Ohio (the "Developer") filed a petition (the "Petition") for creation of the Authority with the Clerk of Council of the City of Hamilton, Ohio, and the petition was accepted by Ordinance No. OR2017-5-62 of the City Council on May 24, 2017. The Petition, which may be subject to amendment or change, defines the boundaries of the Authority and allows the Authority to finance the costs of publicly owned and operated improvements and community facilities with Community Development Charges.

By its Ordinance, the City of Hamilton determined the Authority would be conducive to the public health, safety, convenience and welfare, and that it was intended to result in the development of a new community authority as described in the Ohio Revised Code. The Authority thereby was organized as a body corporate and politic in the State. While the Authority was formed in 2017, no financial activity occurred until the issuance of bonds in March 2019.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

A. Reporting Entity (Continued)

By law, the Authority is governed by a seven-member board of trustees. At inception, the City Council of the City of Hamilton, Ohio appointed four of the trustees and the remaining three trustees were appointed by the Developer. The Authority is included as a component unit of the City due to the fact that the City appoints a voting majority of the Authority board, and the City has influence over the projects and activities of the Authority. Complete financial statements can be obtained from the City of Hamilton Department of Finance. See note 20.

The City participates in four governmental joint ventures: three Hamilton-Indian Springs Joint Economic Development Districts (JEDD), the Ohio Municipal Electric Generation Agency (OMEGA) JV2, and the Meldahl Hydroelectric Project. The City also participates in the following jointly governed organizations: American Municipal Power (AMP) Inc., the Transportation Improvement District (TID) of Butler County, the Butler County Emergency Management Agency (EMA), the Hamilton Community Improvement Corporation (CIC), the Hamilton Economic Development Corporation (HEDC), and the Ohio-Kentucky-Indiana Regional Council of Governments (OKI). These organizations are presented in Note 17 and Note 18 to the basic financial statements and are excluded from the accompanying financial statements except as noted.

As a custodian of public funds, the City invests all public monies held on deposit in the City Treasury. In the case of the Hamilton-Indian Springs Joint Economic Development Districts (the "JEDD"), a legally separate district, the City serves as fiscal agent but the organization is not considered a part of the City. The JEDD has a five-member board of trustees for which the City appoints one member and for which the City is not financially accountable. The JEDD was formed under the auspices of Ohio Revised Code Charter 715 to facilitate commercial and economic development within a specific territory completely located within the boundaries of then Indian Springs, now Fairfield Township. The JEDD has levied an income tax equal to the income tax rate charged within the City of Hamilton (2%) on all compensation earned by employees working in the JEDD. Income tax collections net of collection expenses and refunds are first applied to District operating expenses in accordance with the District's Budget, then to any long-term maintenance set aside, with any surplus to be paid to Hamilton and Fairfield Township according to contractual percentages. The JEDD is a joint venture of the City, which is more fully explained in Note 17 to the basic financial statements. Accordingly, the activity of the JEDD is presented as a custodial fund (fiduciary) within the City's financial statements.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting

The accounting policies and financial reporting practices of the City conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of its significant accounting policies:

The accounting system is organized and operated on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, deferred outflows/inflows of resources, fund equity, revenues and expenditures (expenses). The following fund types are used by the City:

Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed. The acquisition, use and balances of the City's expendable financial resources and the related current liabilities (except those accounted for in the proprietary funds) are accounted for through governmental funds. The measurement focus is upon determination of "financial flow" (sources, uses and balances of financial resources). The following are the City's major governmental funds:

General Fund - This fund is used to account for all financial resources except those accounted for in another fund. The general fund balance is available to the City for any purpose provided it is expended or transferred according to the general laws of Ohio.

Health Department Fund - This fund is used to account for the activities of the health department, which are funded by contributions from the general fund, charges for services, and grants.

Hamilton Capital Improvement Fund - This fund is used to account for revenue from one-fourth of one percent (.25%) of the City income tax receipts. Funds are to be used for capital acquisition for Police, Fire, Public Works, Parks and Recreation and Public Health. Funds may also be used to retire outstanding General Obligation Bonds and Notes issued for capital acquisition.

This Space Intentionally Left Blank

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Proprietary Funds

All proprietary funds are accounted for on an "economic resources" measurement focus. This measurement focus provides that all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the balance sheet. Proprietary fund type operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net position.

Enterprise Funds - These funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's major enterprise funds are:

Gas Fund – To account for the operation of the City's gas service.

Electric Fund – To account for the operation of the City's electric service.

Water Fund – To account for the operation of the City's water system.

Wastewater Fund – To account for the operation of the City's wastewater system.

Internal Service Funds – These funds are used to account for fleet management services and costs of certain goods or services provided to other departments or agencies of the City.

Fiduciary Funds

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: custodial funds, pension trust funds, investment trust funds, and private-purpose trust funds. The City has six custodial funds. The Rounding Up Utility Account Fund is used to account for voluntary contributions from citizens and/or organizations within the City to assist elderly, needy and disabled utility customers with utility charges incurred. The Butler County Annexation Tax Fund is used to account for income taxes obtained from a special annexation of contiguous property to Hamilton. The Joint Economic Development District (JEDD) Fund is used to account for the receipt and disbursement of income tax revenue pursuant to Section 11 of the Joint Economic Development District Agreement with Indian Springs/Fairfield Township, the 2004 Joint Economic Development District Agreement with Indian Springs/Fairfield Township, and Section 5 of the 2017 amendment to the Hamilton-Indian Springs Joint Economic Development District Contract with Fairfield Township. The Municipal Court Fund accounts for funds that flow through the municipal court office. The Property Assessed Clean Energy Fund accounts for special assessments collected and remitted to the Hamilton Community Authority.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Basis of Presentation - Fund Accounting (Continued)

Fiduciary Funds (Continued)

The Police Property Room Fund is used to account for the receipt of items remaining in the custody of the police department (the City will hold the items for a certain period of time at which they will be auctioned or disposed). Trust funds are used to account for assets held under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the City's own programs. The City currently has no trust funds.

C. Basis of Presentation – Financial Statements

Government-wide Financial Statements – The statement of net position and the statement of activities display information about the City as a whole. These statements include the financial activities of the primary government, except for fiduciary funds. The statements distinguish between those activities of the City that are governmental and those that are considered business-type activities. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. These balances appear as internal balances on the statement of net position. Interfund receivables and payables between governmental and business-type activities have been eliminated in the government-wide Statement of Net Position. These eliminations minimize the duplicating effect on assets and liabilities within the governmental and business-type activities total column. Interfund services provided and used are not eliminated in the process of consolidation.

The government-wide statements are prepared using the economic resources measurement focus. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

This Space Intentionally Left Blank

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Basis of Presentation – Financial Statements (Continued)

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the City and for each function or program of the City's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues which are not classified as program revenues are presented as general revenues of the City, with certain limited exceptions. The comparison of direct expenses with program revenues identifies the extent to which each business segment or governmental function is self-financing or draws from the general revenues of the City.

Fund Financial Statements – Fund financial statements report detailed information about the City. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. Fiduciary funds are reported by fund type.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental fund types are accounted for using a flow of current financial resources measurement focus. The financial statements for governmental funds are a balance sheet, which generally includes only current assets, current liabilities, deferred outflows/inflows of resources, and a statement of revenues, expenditures and changes in fund balances, which reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources.

Proprietary and fiduciary fund types are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities, and deferred outflows/inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of changes in fund net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the City finances and meets the cash flow needs of its proprietary activities.

D. Basis of Accounting

Basis of accounting represents the methodology utilized in the recognition of revenues and expenditures or expenses in the accounts and reported in the financial statements, and relates to the timing of the measurements made. The accounting and reporting treatment applied to a fund is determined by its measurement focus.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Basis of Accounting (Continued)

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. The term "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, which for the City is 60 days after year end. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest on general long-term debt which is recognized when due.

Non-exchange transactions, in which the City receives value without directly giving equal value in return, include income taxes, property taxes, grants, entitlements and donations. Revenue from income taxes is recognized in the period in which the income is earned and is available. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied and the revenue is available. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted, matching requirements, in which the City must provide local resources to be used for a specific purpose, and expenditure requirements, in which the resources are provided to the City on a reimbursement basis.

Revenue considered susceptible to accrual at year end includes income taxes, interest on investments and state levied locally shared taxes (including motor vehicle license fees and local government assistance). Licenses, permits, charges for services and other miscellaneous revenues are recorded as revenue when received in cash because generally this revenue is not measurable until received.

Special assessment installments including related accrued interest, which are measurable but not available at December 31, 2020, are recorded as deferred inflows of resources. Property taxes, which are measurable at December 31, 2020 but are not intended to finance 2020 operations, and delinquent property taxes whose availability is indeterminate, are recorded as deferred inflows of resources. Property taxes are further described in Note 5.

The accrual basis of accounting is utilized for reporting purposes by the government-wide financial statements, proprietary funds, and custodial funds. Revenues are recognized when they are earned and expenses recognized when incurred.

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process

The budgetary process is prescribed by provisions of the Ohio Revised Code and entails the preparation of budgetary documents within an established timetable. The major documents prepared are the tax budget, the certificate of estimated resources and the appropriation ordinance, all of which are prepared on the budgetary basis of accounting. The certificate of estimated resources and the appropriation ordinance are subject to amendment throughout the year.

All funds other than custodial funds are legally required to be budgeted and appropriated; however, only governmental funds are required to be reported. The primary level of budgetary control is at the fund, department and object level. Budgetary modifications may be made only by ordinance of the City Council.

1. Tax Budget

The Director of Finance submits an annual tax budget for the following fiscal year to City Council by July 15 for consideration and passage. The adopted budget is submitted to the County Auditor, as Secretary of the County Budget Commission, by July 20 of each year for the period January 1 to December 31 of the following year.

2. Estimated Resources

The County Budget Commission reviews estimated revenue and determines if the budget substantiates a need to levy all or part of previously authorized taxes. The Budget Commission then certifies its actions to the City by September 1 of each year. As part of the certification process, the City receives an official certificate of estimated resources stating the projected receipts by fund. Prior to December 31, the City must revise its budget so that the total contemplated expenditures from any fund during the ensuing fiscal year do not exceed the amount available as stated in the certificate of estimated resources. The revised budget then serves as the basis for the annual appropriations measure. On or about January 1, the certificate of estimated resources is amended to include any unencumbered fund balances from the preceding year. The certificate may be further amended during the year if a new source of revenue is identified or if actual receipts exceed current estimates. The amounts reported on the budgetary statements reflect the amounts in the final amended official certificate of estimated resources issued during 2020.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

3. Appropriations

As required by charter, an annual appropriation ordinance must be adopted prior to the beginning of the fiscal year. The appropriation ordinance establishes spending controls at the fund, department and object level, the legal level of control. The appropriation ordinance may be amended during the year as additional information becomes available, provided that total fund appropriations do not exceed the current estimated resources as certified by the County Budget Commission. During the year, several supplemental appropriations were necessary to budget contingency funds, intergovernmental grants and proceeds of debt issues. The allocation of appropriations among departments and objects within a fund may be modified during the year by management. Administrative control is maintained through the establishment of more detailed line-item budgets. The budgetary figures which appear in the "Statement of Revenues, Expenditures, and Changes in Fund Balances--Budget and Actual for the General Fund and Major Special Revenue Fund" are provided on the budgetary basis to provide a comparison of actual results with the final budget, including all amendments and modifications.

4. Encumbrance

As part of formal budgetary controls, purchase orders, contracts and other commitments for expenditures are encumbered and recorded as the equivalent of expenditures (budget basis) in order to reserve that portion of the applicable appropriation. However, on the GAAP basis of accounting, encumbrances do not constitute expenditures or liabilities.

5. Lapsing of Appropriations

At the close of each fiscal year, the unencumbered balance of each appropriation reverts to the respective fund from which it was appropriated and becomes subject to future appropriations. The encumbered appropriation balance is carried forward to the subsequent fiscal year and need not be reappropriated.

6. Budgetary Basis of Accounting

The City's budgetary process accounts for the City's transactions on a basis other than generally accepted accounting principles (GAAP). The major differences between the budgetary basis and the GAAP basis lie in the manner in which revenues and expenditures are recorded. Under the budgetary basis, revenues and expenditures are recognized on the cash basis. Utilizing the cash basis, revenues are recorded when received in cash and expenditures when paid. Under the GAAP basis, revenues and expenditures are recorded on the modified accrual basis of accounting. Encumbrances are recorded as the equivalent of expenditures on the budgetary basis.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgetary Process (Continued)

6. Budgetary Basis of Accounting (Continued)

The following table summarizes the adjustments necessary to reconcile the GAAP basis statement to the budgetary cash basis statement for the General Fund and Major Special Revenue Fund:

	Net Change in Fund Balance	
	General Fund	Health Department Fund
GAAP Basis (as reported)	\$8,314,868	\$1,653
Increase (Decrease):		
Accrued Revenues at December 31, 2020 received during 2021	(9,422,741)	(77)
Accrued Revenues at December 31, 2019 received during 2020	7,615,595	24
Accrued Expenditures at December 31, 2020 paid during 2021	4,075,056	0
Accrued Expenditures at December 31, 2019 paid during 2020	(4,435,803)	0
2019 Prepays for 2020	137,570	0
2020 Prepays for 2021	(172,309)	0
Outstanding Encumbrances	(952,990)	0
Perspective Difference:		
Activity of Funds Reclassified for GAAP Reporting Purposes	(1,638,967)	0
Budget Basis	\$3,520,279	\$1,600

F. Cash and Cash Equivalents

Cash and cash equivalents include amounts in demand deposits, the State Treasury Asset Reserve (STAR Ohio) and short-term securities with original maturities of three months or less. STAR Ohio is considered a cash equivalent because it is a highly liquid investment. See Note 4, "Cash, Cash Equivalents and Investments."

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Investments

Investment procedures and interest allocations are restricted by provisions of the Ohio Constitution and the Ohio Revised Code. The City allocates interest among certain funds based upon the fund's cash balance at the date of investment. In accordance with GASB Statement No. 31, "Accounting and Financial Reporting for Certain Investments and for External Investment Pools" and GASB Statement No. 72, "Fair Value Measurement and Application," the City records all its investments at fair value except for nonparticipating investment contracts which are reported at cost, which approximates fair value. All investment income, including changes in the fair value of investments, is recognized as revenue in the operating statements.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. See Note 4, "Cash, Cash Equivalents and Investments".

The City's investment in the State Treasury Asset Reserve of Ohio (STAR Ohio) is an investment pool managed by the State Treasurer's Office which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. The City measures their investment in STAR Ohio at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For fiscal year 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

H. Inventory

Inventories are stated at moving average cost. The costs of governmental fund inventories are recorded as expenditures when purchased rather than when consumed. The costs of proprietary fund inventories are recorded as expenses when consumed rather than when purchased.

I. Prepaid Items

Payments made to vendors for services that will benefit periods beyond December 31, 2020, are recorded as prepaid items using the consumption method. A current asset for the prepaid amount is recorded at the time of the purchase and an expenditure/expense is reported in the year in which services are consumed.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Capital Assets and Depreciation

Capital assets are defined by the City as assets with an initial, individual cost of more than \$10,000.

1. Property, Plant and Equipment - Governmental Activities

Governmental activities capital assets are those not directly related to the business type funds. These generally are acquired or constructed for governmental activities and are recorded as expenditures in the governmental funds and are capitalized at cost (or estimated historical cost for assets not purchased in recent years). These assets are reported in the Governmental Activities column of the Government-wide Statement of Net Position, but they are not reported in the Fund Financial Statements.

Contributed capital assets are recorded at acquisition value at the date received. Capital assets include land, buildings, building improvements, machinery, equipment and infrastructure. Infrastructure is defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significant number of years. Examples of infrastructure include roads, bridges, curbs and gutters, streets and sidewalks, drainage systems and lighting systems. Estimated historical costs for governmental activities capital asset values were initially determined by identifying historical costs when such information was available. In cases where information supporting original cost was not obtainable, estimated historical costs were developed. For certain capital assets, the estimates were arrived at by indexing estimated current costs back to the estimated year of acquisition.

2. Property, Plant and Equipment – Business Type Activities

Property, plant and equipment acquired by the proprietary funds are stated at cost (or estimated historical cost), including interest capitalized during construction and architectural and engineering fees where applicable. Contributed capital assets are recorded at acquisition value at the date received. These assets are reported in both the Business-Type Activities column of the Government-wide Statement of Net Position and in the respective funds.

3. Depreciation

All capital assets are depreciated, excluding land and construction in progress. Depreciation has been provided using the straight-line method over the following estimated useful lives:

Description	Governmental and Business-Type Activities Estimated Lives (in years)
Buildings	40
Improvements Other than Buildings	40
Machinery, Equipment, Furniture and Fixtures	5 – 10
Infrastructure	25 – 75
Intangible Assets – FERC License	50

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

K. Long-Term Obligations

Long-term liabilities are being repaid from the following funds:

Obligation	Fund
General Obligation/Income Tax Revenue/Special Obligation Non-Tax Revenue Bonds	Debt Service Fund, Parking Fund Golf Course Fund, Wastewater Fund
OWDA/OPWC Loans	Water Fund, Wastewater Fund, Stormwater Management Fund
Special Assessment Bonds	Debt Service Fund
Revenue Bonds	Gas Fund, Electric Fund, Water Fund Wastewater Fund
Capital Lease Payable	General Fund
Long Term Notes	Debt Service Fund
Total OPEB Liability	General Fund, Gas Fund, Electric Fund, Water Fund, Wastewater Fund
Compensated Absences/Net Pension Liability/Net OPEB Liability	General Fund, Safety Services Fund, Refuse Fund, Street Maintenance Fund Community Development Block Grant Fund Gas Fund, Electric Fund, Water Fund Wastewater Fund, Parking Fund Golf Course Fund, Fleet Maintenance Fund Central Services Fund

L. Compensated Absences

Employees of the City earn vacation leave at various rates within limits specified under collective bargaining agreements or under ordinance. Vacation earned in a calendar year must be used during that year. Vacation time cannot carry over into the subsequent year, unless written permission is granted from the City Manager. At termination or retirement, employees are paid at their then full rate for 100% of their unused vacation leave.

The rate of cash compensation for sick leave payout varies within specified limits under collective bargaining agreements or City ordinance. Employees hired before 1990 are paid 75% of the accumulated sick time upon retirement or death up to a maximum of 1,200 hours for employees whose normal work schedule is 40 hours per week, and up to 1,680 hours for those working a 51 hour week. Those individuals that commenced employment on or after January 1, 1990, will be paid 50%, and those individuals that commenced employment on or after January 1, 1994 will be paid 25% of the accumulated sick leave upon death or retirement. Compensation for sick leave is paid at the employee's then full rate of pay at the time of termination or retirement.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

L. Compensated Absences (Continued)

In accordance with GASB Statement No. 16, “*Accounting for Compensated Absences*,” the City records a liability for vacation time and sick leave when the obligation is attributable to services previously rendered or to rights that vest or accumulate, and when payment of the obligation is probable and can be reasonably determined. For governmental funds, compensated absences are recognized as liabilities and expenditures to the extent payments come due each period upon the occurrence of employee resignations and retirements. For governmental funds, the portion of unpaid compensated absences expected to be paid using expendable, available resources is reported as an expenditure in the fund from which the individual earning the leave is paid, and a corresponding liability is reflected in the account “Compensated Absences Payable.” The long-term portion of the liability is reported in the Government-wide Statements under Long-term Liabilities.

M. Net Position

Net position represents the difference between assets, liabilities, and deferred outflows/inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The City applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

N. Pension/OPEB

The provision for pension/OPEB cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension/OPEB liability, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

O. Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements. In order to avoid distorting the measurement of the cost of individual functional activities, entries are made to eliminate the activity provided by the internal service funds to those funds considered governmental and those considered business-type. The elimination of the internal service funds is based on the activity of each fund to which it provides service.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

P. Fund Balances

In the fund financial statements, fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the City is bound to honor constraints on the specific purpose for which amounts in the funds can be spent. Fund balance is reported in five components – nonspendable, restricted, committed, assigned and unassigned.

Nonspendable – Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form or legally contractually required to be maintained intact.

Restricted – Restricted fund balance consists of amounts that have constraints placed on them either externally by third parties (creditors, grantors, contributors, or laws or regulations of other governments) or by law through constitutional provisions or enabling legislation. Enabling legislation authorizes the City to assess, levy, charge or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement (compelled by external parties) that those resources be used only for the specific purposes stipulated in the legislation.

Committed – Committed fund balance consists of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the City’s highest level of decision making authority. For the City, these constraints consist of ordinances passed by City Council. Committed amounts cannot be used for any other purpose unless the City removes or changes the specified use by taking the same type of action (ordinance) it employed previously to commit those amounts.

Assigned – Assigned fund balance consists of amounts that are constrained by the City’s intent to be used for specific purposes, but are neither restricted nor committed. The City has no formal policy authorizing a body or official to assign amounts for specific purposes.

Unassigned – Unassigned fund balance consists of amounts that have not been restricted, committed or assigned to specific purposes within the General Fund as well as negative fund balances in all other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City’s policy to use restricted resources first, then unrestricted (committed, assigned and unassigned) resources as they are needed.

In 2012, City Council enacted Budget and Financial Policies (R2012-6-25), which requires the maintenance of a minimum General Fund Balance (reserve) of 10-16% of annual expenditures. If the General Fund reserve rises above 16% of General Fund revenue at fiscal year end, the amount over 16% will be swept into the Economic Development Capital Projects Fund and/or the Economic Budget Stabilization Fund, which can be expended only through special action by City Council. At December 31, 2020, the balance in the Economic Budget Stabilization Fund was \$2,000,000 and is reported in unassigned fund balance.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Q. Restricted Assets

Certain proceeds of enterprise fund revenue bonds, as well as certain resources set aside for their repayment, are classified as restricted assets on the statement of net position because their use is limited to debt service payments and rate stabilization. Restricted cash in the General Fund represents resources set aside for the payment of health insurance claims.

R. Operating Revenues and Expenses

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the City, these revenues are charges for services for gas and electric service, water treatment and distribution and wastewater collection and treatment. Operating expenses are necessary costs incurred to provide the good or service that is the primary activity of the fund. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

S. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

T. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The City reports deferred outflows for the deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding is reported in the government-wide statement of net position and proprietary funds statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources are reported for pension/OPEB amounts on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources until that time. On the government-wide statement of net position and governmental funds balance sheet, property taxes that are intended to finance future fiscal periods are reported as deferred inflows.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

T. Deferred Outflows/Inflows of Resources (Continued)

In addition, the governmental funds balance sheet reports deferred inflows which arise only under a modified accrual basis of accounting. Accordingly, the item, *unavailable amounts*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable amounts for delinquent property taxes, income taxes, special assessments, and state levied shared taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. Deferred inflows of resources related to pension/OPEB are reported on the government-wide and proprietary funds statement of net position. See Notes 10 and 11.

This Space Intentionally Left Blank

CITY OF HAMILTON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 2 – FUND BALANCE CLASSIFICATION

Fund balance is classified as nonspendable, restricted, committed, assigned, and unassigned based primarily on the extent to which the City is bound to observe constraints imposed upon the use of the resources in the governmental funds. The constraints placed on fund balance for the major governmental fund and all other governmental funds are presented below:

Fund Balances	General Fund	Health Department Fund	Hamilton Capital Improvement Fund	Other Governmental Funds	Total Governmental Funds
Nonspendable:					
Supplies Inventory	\$65,200	\$0	\$0	\$47,067	\$112,267
Prepaid Items	172,309	0	0	40,461	212,770
Unclaimed Funds	43,967	0	0	0	43,967
Permanent Fund Corpus	0	0	0	74,999	74,999
Total Nonspendable	281,476	0	0	162,527	444,003
Restricted:					
Public Safety	0	0	0	1,758,932	1,758,932
Public Health	0	11,294	0	0	11,294
Coronavirus Relief	0	0	0	359,949	359,949
County Court Computer Improvements	0	0	0	363,536	363,536
Dispute Resolution	0	0	0	40,499	40,499
Law Enforcement	0	0	0	1,807,412	1,807,412
Street Maintenance	0	0	0	1,269,758	1,269,758
Community Development	0	0	0	290,653	290,653
Fire Insurance Deposits	0	0	0	149,378	149,378
Capital Improvements	0	0	31,711,200	544,874	32,256,074
Total Restricted	0	11,294	31,711,200	6,584,991	38,307,485
Committed:					
Stormwater Operations	0	0	0	1,079,891	1,079,891
Refuse Operations	0	0	0	1,308,099	1,308,099
Parking Operations	0	0	0	28,872	28,872
Golf Course Operations	0	0	0	90,759	90,759
Total Committed	0	0	0	2,507,621	2,507,621
Assigned:					
Debt Retirement	0	0	0	1,686,293	1,686,293
Capital Improvements	0	0	0	5,318,275	5,318,275
Services and Supplies	395,949	0	0	0	395,949
Worker's Compensation	3,748,948	0	0	0	3,748,948
Budget Resource	1,589,378	0	0	0	1,589,378
Total Assigned	5,734,275	0	0	7,004,568	12,738,843
Unassigned (Deficits):	19,346,447	0	0	(1,063,149)	18,283,298
Total Fund Balances	\$25,362,198	\$11,294	\$31,711,200	\$15,196,558	\$72,281,250

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 3 - COMPLIANCE AND ACCOUNTABILITY

Deficit Fund Equities – The following funds had deficit fund balance/net position amounts at December 31, 2020:

<u>Fund</u>	<u>Fund Balance/ Net Position Deficit</u>
<i>Nonmajor Governmental Funds</i>	
<i>Capital Projects Funds:</i>	
Special Assessment Fund	\$1,063,149
<i>Internal Service Funds</i>	
Fleet Maintenance	\$1,884,131
Central Services	8,653,777

The deficit occurring in the Special Assessment Fund is due to interfund payables reported in the fund. As cash is received and the payables liquidated, the deficits will be eliminated.

The deficits in the Fleet Maintenance Fund and Central Services Fund have occurred due to recognition of liabilities at year-end. The Internal Service Funds operate as a rotary fund and cash is recognized as revenue operationally only after an actual expense is made. These deficits will be eliminated by future charges for services. A portion of these deficits are the result of accounting for the net pension/OPEB liability for which there is no repayment schedule.

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash resources of several individual funds are combined to form a pool of cash and investments. In addition, investments are separately held by a number of individual funds.

Statutes require the classification of funds held by the City into three categories:

Category 1 consists of "active" funds - those funds required to be kept in "cash" or "near cash" status for immediate use by the City. Such funds must be maintained either as cash in the City Treasury or in depository accounts payable or withdrawable on demand, including negotiable order of withdrawal (NOW) accounts.

Category 2 consists of "inactive" funds - those funds not required for use within the current five year period of designation of depositories. Inactive funds may be deposited or invested only as certificates of deposit maturing no later than the end of the current period of designation of depositories.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Category 3 consists of "interim" funds - those funds not needed for immediate use but needed before the end of the current period of designation of depositories. Interim funds may be invested or deposited in the following securities:

- United States treasury notes, bills, bonds, or any other obligation or security issued by the United States treasury or any other obligation guaranteed as to principal or interest by the United States;
- Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality, including but not limited to, the federal national mortgage association, federal home loan bank, federal farm credit bank, federal home loan mortgage corporation, government national mortgage association, and student loan marketing association. All federal agency securities shall be direct issuances of federal government agencies or instrumentalities;
- Written repurchase agreements in the securities listed above provided that the market value of the securities subject to the repurchase agreement must exceed the principal value of the agreement by at least two percent and be marked to market daily, and that the term of the agreement must not exceed thirty days;
- Interim deposits in eligible institutions applying for interim funds;
- Bonds and other obligations of the State of Ohio;
- No-load money market mutual funds consisting exclusively of obligations described in the first two bullets of this section and repurchase agreements secured by such obligations, provided that investments in securities described in this division are made only through eligible institutions, and
- The State Treasury Asset Reserve of Ohio (STAR Ohio).

Ohio law requires that deposits be either insured or be protected by eligible securities pledged to the City and deposited with a qualified trustee by the financial institution as security for repayment whose market value at all times shall be at least 105 percent of the deposits being secured, or participation in the Ohio Pooled Collateral System (OPCS), a collateral pool of eligible securities deposited with a qualified trustee and pledged to the Treasurer of State to secure the repayment of all public monies deposited in the financial institution. OPCS requires the total market value of the securities pledged to be 102 percent of the deposits being secured or a rate set by the Treasurer of State.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

A. Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial credit risk policy.

As of December 31, 2020, \$17,370,956 of the City's bank balance of \$18,125,956 was exposed to custodial credit risk since it was uninsured and collateralized with securities held in the Ohio Pooled Collateral System.

B. Investments

The City's investments at December 31, 2020 are summarized below:

	Fair Value	Credit	Fair Value	Concentration	Investment Maturities (in Years)		
		Rating	Hierarchy	of Credit Risk	less than 1	1-3	3-5
Money Market Mutual Fund ³	\$2,745,582	AA+ ¹	NA	2.20%	\$2,745,582	\$0	\$0
Marketable CDs	13,363,479	AAA ⁴	Level 2	10.69%	250,520	9,193,014	3,919,945
Commercial Paper	5,596,436	A-1+ ¹	Level 2	4.48%	5,596,436	0	0
STAR Ohio ³	53,958,166	AAA ¹	NA	43.16%	53,958,166	0	0
Municipal Bonds	716,573	Aa2 ²	Level 2	0.57%	0	716,573	0
FNMA	4,079,475	AA+ ¹	Level 2	3.26%	327,522	0	3,751,953
FFCB	13,183,246	AA+ ¹	Level 2	10.55%	2,461,017	5,941,766	4,780,463
FAMC	3,021,320	AA+ ¹	Level 2	2.42%	0	3,021,320	0
FHLB	8,848,687	AA+ ¹	Level 2	7.08%	1,005,370	4,500,260	3,343,057
FHLMC	14,509,940	AA+ ¹	Level 2	11.61%	0	8,252,522	6,257,418
US Treasury Notes	4,970,994	N/A	Level 1	3.98%	2,675,092	1,248,752	1,047,150
Total Investments	<u>\$124,993,898</u>			<u>100.00%</u>	<u>\$69,019,705</u>	<u>\$32,874,207</u>	<u>\$23,099,986</u>

¹ Standard & Poor's

² Moody's

³ Reported at amortized cost

⁴ All are fully FDIC insured and therefore have an implied AAA credit rating

Custodial Credit Risk

The risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as a means of mitigating this risk.

Interest Rate Risk

The risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the "prudent investor" rule to attempt to limit such risk.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 4 - CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

B. Investments (Continued)

Credit Risk

It is the City's policy to limit its investments that are not obligations of the U.S. Government or obligations explicitly guaranteed by the U.S. Government to investments which have the highest credit quality rating issued by nationally recognized statistical rating organizations.

Concentration of Credit Risk

The City places no limit on the amount it may invest in any one issuer. The City has several investment categories that are above the five percent threshold as detailed above.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Active markets are those in which transactions for the asset or liability occur in sufficient frequency and volume to provide pricing information on an ongoing basis. Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Level 2 inputs are significant other observable inputs. Investments classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices. Level 3 inputs are significant unobservable inputs.

C. Benninghofen Trust

The Benninghofen Trust Fund reports the endowment bequeathed to the City from the estate of Christian Benninghofen. The endowment is to be held permanently by the City and invested and reinvested in bonds issued by the United States, the State of Ohio, or any County, as well as municipal bonds issued by such subdivisions with the State of Ohio. Earnings from the endowment are to be used for the purpose of assisting and aiding the needy poor of the City. The City disburses earnings from the endowment quarterly.

This Space Intentionally Left Blank

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 5 - TAXES

A. Property Taxes

Property taxes include amounts levied against real estate and public utility property located in the City. Real property taxes (other than public utility) collected during 2020 were levied after October 1, 2019 on assessed values as of January 1, 2019, the lien date. Assessed values were established by the County Auditor at 35% of appraised market value. All property is required to be reevaluated every six years and equalization adjustments made in the third year following the reappraisal. The last revaluation was completed for tax year 2017. Real property taxes are payable annually or semiannually. If paid annually, payment is due January 31; if paid semiannually, the first payment is due February and the remainder payable in July. Under certain circumstances, state statute permits later payment dates to be established.

Public utility real property taxes collected in one calendar year are levied in the preceding calendar year on assessed values determined as of December 31 of the year preceding the tax collection year, the lien date. Certain public utility tangible personal property is currently assessed at 100% of its true value. Public utility property taxes are payable on the same dates as real property described previously.

The County Treasurer collects property taxes on behalf of all taxing districts in the County including the City of Hamilton. The County Auditor periodically remits to the City its portion of the taxes collected.

The full tax rate for the City's operations for the year ended December 31, 2020 was \$6.81 per \$1,000 of assessed value. The assessed value upon which the 2020 receipts were based was \$805,104,510. This amount constitutes \$799,255,590 in real property assessed value and \$5,848,920 in public utility assessed value.

Ohio law prohibits taxation of property from all taxing authorities in excess of 1% of assessed value without a vote of the people. Under current procedures, the City's share is 0.681% (6.81 mills) of assessed value.

Real Estate Tax Abatement

Pursuant to Ohio Revised Code Chapter 5709, the City established an Enterprise Zone Abatement Program. The City authorizes incentives through passage of public ordinances, based upon each businesses investment criteria and through a contractual application process with each business. The abatement equals an agreed upon percentage of the additional property tax resulting from the increase in assessed value as a result of the improvements. The amount of the abatement is deducted from the recipient's property tax bill. The establishment of the Enterprise Zone gave the City the ability to maintain and expand business located within the City and created new jobs by abating or reducing assessed valuation of properties, resulting in abated taxes, from new or improved business real estate and includes major housing improvements in specified areas.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 5 - TAXES (Continued)

A. Property Taxes (Continued)

The City has offered the Enterprise Zone abatements to encourage economic stability, maintain property values, and generate new employment opportunities and population growth.

Below is the amount of taxes abated for the Enterprise Zone Program for the year ending December 31, 2020.

<u>Tax Abatement Program</u>	<u>Total Amount of Taxes Abated For the year 2020</u>
<i>Enterprise Zone</i>	
3DSL Properties, LLC	\$58,331
80 Acres Urban Agriculture, LLC	3,913
Ansari Properties	2,797
Bethesda Hospital and Duke Realty	209,314
Concord Hamiltonian Riverfront	46,483
Interstate Warehousing	65,216
Livingston Tyler Products	4,559
M.A. Folkes Company	49,033
Matandy Steel & Metal Products	17,204
Synergy Flavors OH	26,257
Thyssenkrupp Bilstein	43,446
United Performance Metals	7,231
Vinylmax, LLC	62,465
YAC Robot Systems	1,770
	<u>\$598,019</u>

B. Income Tax

The City levies a tax of 2.00% on all salaries, wages, commissions and other compensation and on net profits earned within the City as well as on incomes of residents earned outside the City. In the latter case, the City allows a credit of 100% of the tax paid to another municipality to a maximum of 2.00% of taxable salaries, wages, commissions and other compensation.

Employers within the City are required to withhold income tax on employees' compensation and remit the tax to the City either monthly or quarterly, as required. Corporations and other individual taxpayers are required to pay their estimated tax quarterly and file a declaration annually. All City residents are required to file a municipal income tax return annually regardless of whether tax is owed.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 5 - TAXES (Continued)

B. Income Tax (Continued)

Income Tax Abatement

The City created the Job Creation and Tax Credit Program to maintain the City's competitiveness as a site for location of new businesses and the expansion of existing businesses. Pursuant to Ohio Revised Code 718 and the applicable City ordinance, the City provides an incentive to the company based upon the company's gross annual payroll, the amount of income tax generated annually and the number of jobs created or retained by the business. The abatement is administered as a refund based upon the company's payroll taxes. The time period of the incentive in years, is determined by how many new jobs are created by the company. The tax abatement incentive to a new business or expanding business with new payroll is at a percentage of up to 60% of income tax paid on new payroll for a period of 3 to 10 years.

For the year ending December 31, 2020, no income taxes were abated by the City.

NOTE 6 – RECEIVABLES

Receivables at December 31, 2020 consisted of taxes, accounts receivable, accrued interest, special assessments, loans receivable, interfund receivables, and intergovernmental (due from other governments) receivables arising from shared revenues. These receivables result from both exchange and non-exchange transactions.

Business-type receivables at December 31, 2020, are presented net of allowances for doubtful accounts. To better detail the accounts receivable balances in the Business-type Funds, the following schedule identifies and reconciles these amounts as of December 31, 2020 as follows:

Accounts Receivable					Total
As of December 31, 2020	Gas	Electric	Water	Wastewater	Business-Type Activities
Earned and unbilled consumer accounts	\$2,232,999	\$4,832,676	\$949,208	\$819,743	\$8,834,626
Earned and billed consumer accounts	1,769,263	5,768,597	947,326	1,349,884	9,835,070
Less allowance for uncollectible accounts	(685,707)	(2,512,521)	(412,656)	(586,043)	(4,196,927)
Other	0	514,919	22,779	10,831	548,529
Accounts Receivable	<u>3,316,555</u>	<u>8,603,671</u>	<u>1,506,657</u>	<u>1,594,415</u>	<u>15,021,298</u>
Accrued Interest Receivable	<u>9,350</u>	<u>65,543</u>	<u>15,370</u>	<u>22,959</u>	<u>113,222</u>
Total Receivables	<u>\$3,325,905</u>	<u>\$8,669,214</u>	<u>\$1,522,027</u>	<u>\$1,617,374</u>	<u>\$15,134,520</u>

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 7 - TRANSFERS

Following is a summary of transfers in and out for all funds for 2020:

Fund	Transfers In	Transfers Out
Governmental Funds:		
General Fund	\$0	\$2,100,753
Health Department Fund	389,203	0
Hamilton Capital Improvement	500,000	7,513,762
Other Governmental Funds	11,121,337	2,396,025
Totals	<u>\$12,010,540</u>	<u>\$12,010,540</u>

The City makes transfers between various funds during the year for operating and debt service related payments. The individual governmental funds transfer their portion of the debt service payment during the year into the Debt Service Fund for payment of obligations and some transfers are made from the General Fund at year-end to eliminate deficit balances. In 2020 the General Fund, Street Maintenance Fund, and Municipal Improvement Tax Increment Equivalent Fund transferred \$756,550, \$1,421,720, and \$341,393, respectively, to the Infrastructure Program Fund for various infrastructure improvement projects. In addition, the Hamilton Capital Improvement Fund transferred \$7,327,449 to the Debt Service Fund for debt retirement.

NOTE 8 – INTERFUND TRANSACTIONS

The composition of inter-fund balances as of December 31, 2020, is as follows:

	Interfund Receivable	Interfund Payable	Due from Other Funds	Due to Other Funds
General Fund	\$1,292,220	\$0	\$10,552	\$0
Other Governmental Funds	0	1,239,900	0	10,552
Fleet Maintenance Fund	0	52,320	0	0
	<u>\$1,292,220</u>	<u>\$1,292,220</u>	<u>\$10,552</u>	<u>\$10,552</u>

The due from other funds for the General Fund is monies where the General Fund serves as a participant in the activity for the City. All monies due between funds are expected to be paid/received within the next fiscal year.

\$1,239,900 and \$52,320 of the interfund activity relates to cash advances the General Fund made to the Special Assessment Fund, and Fleet Maintenance Fund, respectively. The advances are expected to be returned within the next fiscal year.

This Space Intentionally Left Blank

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - CAPITAL ASSETS

A. Governmental Activities Capital Assets

Summary by category of changes in governmental activities capital assets at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land	\$19,937,050	\$0	(\$510,907)	\$19,426,143
Construction in Progress	32,937,720	6,561,279	(5,626,016)	33,872,983
Sub-Total	52,874,770	6,561,279	(6,136,923)	53,299,126
Capital assets being depreciated:				
Buildings and Improvements	46,125,534	63,944	0	46,189,478
Machinery and Equipment	32,023,607	1,262,970	(161,603)	33,124,974
Infrastructure	167,458,924	5,972,073	0	173,430,997
Total Cost	<u>\$298,482,835</u>	<u>\$13,860,266</u>	<u>(\$6,298,526)</u>	<u>\$306,044,575</u>

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Buildings and Improvements	(\$21,721,999)	(\$989,858)	\$0	(\$22,711,857)
Machinery and Equipment	(23,861,095)	(1,114,780)	161,603	(24,814,272)
Infrastructure	(137,564,419)	(1,685,442)	0	(139,249,861)
Total Depreciation	<u>(\$183,147,513)</u>	<u>(\$3,790,080) *</u>	<u>\$161,603</u>	<u>(\$186,775,990)</u>
Net Value:	<u>\$115,335,322</u>			<u>\$119,268,585</u>

*Depreciation was charged to governmental functions as follows:

General Government	\$597,593
Security of Persons and Property	612,656
Leisure Time Activities	314,237
Community Environment	5,624
Transportation	2,256,516
Public Health and Welfare Services	3,454
Total Depreciation Expense	<u>\$3,790,080</u>

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 9 - CAPITAL ASSETS (Continued)

B. Business-Type Activities Capital Assets

Summary by category at December 31, 2020:

Historical Cost:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Capital assets not being depreciated:				
Land	\$7,908,794	\$0	\$0	\$7,908,794
Construction in Progress	33,227,873	12,863,333	(3,998,731)	42,092,475
Sub-Total	41,136,667	12,863,333	(3,998,731)	50,001,269
Capital assets being depreciated:				
Intangible Capital Assets	1,070,786	0	0	1,070,786
Buildings and Improvements	132,324,528	91,836	0	132,416,364
Machinery and Equipment	669,123,799	10,316,233	(670,517)	678,769,515
Total Cost	<u>\$843,655,780</u>	<u>\$23,271,402</u>	<u>(\$4,669,248)</u>	<u>\$862,257,934</u>

Accumulated Depreciation:

Class	December 31, 2019	Additions	Deletions	December 31, 2020
Intangible Capital Assets	(\$256,992)	(\$21,416)	\$0	(\$278,408)
Buildings and Improvements	(73,574,290)	(1,757,782)	0	(75,332,072)
Machinery and Equipment	(463,008,046)	(13,407,650)	574,356	(475,841,340)
Total Depreciation	<u>(\$536,839,328)</u>	<u>(\$15,186,848)</u>	<u>\$574,356</u>	<u>(\$551,451,820)</u>
Net Value:	<u>\$306,816,452</u>			<u>\$310,806,114</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pensions are a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the City’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which pensions are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan’s board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - City employees, other than full-time police and firefighters, participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. City employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS’ traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS’ fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS comprehensive annual financial report referenced above for additional information, including requirements for reduced and unreduced benefits):

Group A	Group B	Group C
Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by years of service for the first 35 years and 2.5% for service years in excess of 35

Final average Salary (FAS) represents the average of the three highest years of earnings over a member’s career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member’s career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3.00% simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3.00%.

Benefits in the Combined Plan consist of both an age-and-service formula benefit (defined benefit) and a defined contribution element. The defined benefit element is calculated on the basis of age, FAS, and years of service. Eligibility regarding age and years of service in the Combined Plan is the same as the Traditional Pension Plan. The benefit formula for the defined benefit component of the plan for State and Local members in transition Groups A and B applies a factor of 1.00% to the member’s FAS for the first 30 years of service.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

A factor of 1.25% is applied to years of service in excess of 30. The benefit formula for transition Group C applies a factor of 1.0% to the member’s FAS and the first 35 years of service and a factor of 1.25% is applied to years in excess of 35. Persons retiring before age 65 with less than 30 years of service credit receive a percentage reduction in benefit. The defined contribution portion of the benefit is based on accumulated member contributions plus or minus any investment gains or losses on those contributions. Members retiring under the Combined Plan receive a 3.00% COLA adjustment on the defined benefit portion of their benefit.

Defined contribution plan benefits are established in the plan documents, which may be amended by the OPERS’s Board of Trustees. Member-Directed Plan and Combined Plan members who have met the retirement eligibility requirements may apply for retirement benefits. The amount available for defined contribution benefits in the Combined Plan consists of the member’s contributions plus or minus the investment gains or losses resulting from the member’s investment selections. The amount available for defined contribution benefits in the Member-Directed Plan consists of the members’ contributions, vested employer contributions and investment gains or losses resulting from the members’ investment selections. Employer contributions and associated investment earnings vest over a five-year period, at a rate of 20% each year. For additional information, see the Plan Statement in the OPERS comprehensive annual financial report.

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	State and Local
2020 Statutory Maximum Contribution Rates	
Employer	14.0 %
Employee	10.0 %
2020 Actual Contribution Rates	
Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	0.0
Total Employer	14.0 %
Employee	10.0 %

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City’s contractually required contribution was \$3,843,264 for 2020. Of this amount, \$142,529 is reported as an intergovernmental payable.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Plan Description – Ohio Police & Fire Pension Fund (OPF)

Plan Description - City full-time police and firefighters participate in Ohio Police and Fire Pension Fund (OPF), a cost-sharing, multiple-employer defined benefit pension plan administered by OPF. OPF provides retirement and disability pension benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by the Ohio State Legislature and are codified in Chapter 742 of the Ohio Revised Code. OPF issues a publicly available financial report that includes financial information and required supplementary information and detailed information about OPF fiduciary net position. The report that may be obtained by visiting the OPF website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

Upon attaining a qualifying age with sufficient years of service, a member of OPF may retire and receive a lifetime monthly pension. OPF offers four types of service retirement: normal, service commuted, age/service commuted and actuarially reduced. Each type has different eligibility guidelines and is calculated using the member's average annual salary. The following discussion of the pension formula relates to normal service retirement.

For members hired after July 1, 2013, the minimum retirement age is 52 for normal service retirement with at least 25 years of service credit. For members hired on or before July 1, 2013, the minimum retirement age is 48 for normal service retirement with at least 25 years of service credit.

The annual pension benefit for normal service retirement is equal to a percentage of the allowable average annual salary. The percentage equals 2.5 percent for each of the first 20 years of service credit, 2.0 percent for each of the next five years of service credit and 1.5 percent for each year of service credit in excess of 25 years. The maximum pension of 72 percent of the allowable average annual salary is paid after 33 years of service credit.

Under normal service retirement, retired members who are at least 55 years old and have been receiving OPF benefits for at least one year may be eligible for a cost-of-living allowance adjustment. The age 55 provision for receiving a COLA does not apply to those who are receiving a permanent and total disability benefit and statutory survivors.

Members retiring under normal service retirement, with less than 15 years of service credit on July 1, 2013, will receive a COLA equal to either 3.00% or the percent increase, if any, in the consumer price index (CPI) over the 12-month period ending on September 30 of the immediately preceding year, whichever is less. The COLA amount for members with at least 15 years of service credit as of July 1, 2013 is equal to 3.00% of their base pension or disability benefit.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Funding Policy - The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows:

	<u>Police</u>	<u>Firefighters</u>
2020 Statutory Maximum Contribution Rates		
Employer	19.50 %	24.00 %
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %
2020 Actual Contribution Rates		
Employer:		
Pension	19.00 %	23.50 %
Post-employment Health Care Benefits	<u>0.50</u>	<u>0.50</u>
Total Employer	<u>19.50 %</u>	<u>24.00 %</u>
Employee:		
January 1, 2020 through December 31, 2020	12.25 %	12.25 %

Employer contribution rates are expressed as a percentage of covered payroll. The City’s contractually required contribution to OPF was \$3,732,159 for 2020. Of this amount, \$148,563 is reported as an intergovernmental payable.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. OPF’s total pension liability was measured as of December 31, 2019, and was determined by rolling forward the total pension liability as of January 1, 2019, to December 31, 2019. The City’s proportion of the net pension liability was based on the City’s share of contributions to the pension plan relative to the contributions of all participating entities. Following is information related to the proportionate share and pension expense:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Proportionate Share of the Net Pension Liability	\$38,058,030	\$47,205,981	\$85,264,011
Proportion of the Net Pension Liability-2020	0.192546%	0.700746%	
Proportion of the Net Pension Liability-2019	<u>0.192963%</u>	<u>0.708997%</u>	
Percentage Change	<u>(0.000417%)</u>	<u>(0.008251%)</u>	
Pension Expense	\$6,803,514	\$5,846,863	\$12,650,377

CITY OF HAMILTON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Deferred Outflows of Resources			
Changes in assumptions	\$2,032,744	\$1,158,785	\$3,191,529
Differences between expected and actual experience	0	1,786,895	1,786,895
Change in proportionate share	0	1,088,533	1,088,533
City contributions subsequent to the measurement date	<u>3,843,264</u>	<u>3,732,159</u>	<u>7,575,423</u>
Total Deferred Outflows of Resources	<u>\$5,876,008</u>	<u>\$7,766,372</u>	<u>\$13,642,380</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on pension plan investments	\$7,591,712	\$2,280,430	\$9,872,142
Differences between expected and actual experience	481,190	2,434,602	2,915,792
Change in proportionate share	0	1,507,174	1,507,174
Total Deferred Inflows of Resources	<u>\$8,072,902</u>	<u>\$6,222,206</u>	<u>\$14,295,108</u>

\$7,575,423 reported as deferred outflows of resources related to pension resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

	<u>OPERS</u>	<u>OP&F</u>	<u>Total</u>
Year Ending December 31:			
2021	(\$888,300)	(\$706,354)	(\$1,594,654)
2022	(2,451,828)	(180,019)	(2,631,847)
2023	314,369	1,057,703	1,372,072
2024	(3,014,399)	(2,112,077)	(5,126,476)
2025	<u>0</u>	<u>(247,246)</u>	<u>(247,246)</u>
Total	<u>(\$6,040,158)</u>	<u>(\$2,187,993)</u>	<u>(\$8,228,151)</u>

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation. The total pension liability in the December 31, 2019 and December 31, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	December 31, 2019
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	1.4 percent simple through 2020. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age
	December 31, 2018
Wage Inflation	3.25 percent
Future Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
COLA or Ad Hoc COLA (Pre 1/7/13 retirees)	3 percent simple
COLA or Ad Hoc COLA (Post 1/7/13 retirees)	3 percent simple through 2018. 2.15 percent simple, thereafter
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Defined Benefit portfolio was 17.2% for 2019.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	<u>100.00 %</u>	<u>5.61 %</u>

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	<u>1% Decrease (6.20%)</u>	<u>Current Discount Rate (7.20%)</u>	<u>1% Increase (8.20%)</u>
City's proportionate share of the net pension liability	\$62,769,996	\$38,058,030	\$15,842,685

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Actuarial Assumptions – OPF

OPF’s total pension liability as of December 31, 2019 is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total pension liability is determined by OPF’s actuaries in accordance with GASB Statement No. 67, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future. Assumptions considered were: withdrawal rates, disability retirement, service retirement, DROP elections, mortality, percent married and forms of the payment, DROP interest rate, CPI-based COLA, investment returns, salary increases and payroll growth.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, prepared as of January 1, 2019, compared with January 1, 2018, are presented below.

	January 1, 2019	January 1, 2018
Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

For the January 1, 2019 valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

Age	Police	Fire
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

For the January 1, 2019 valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Age	Police	Fire
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on pension plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expectation. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes.

Best estimates of the long-term expected geometric real rates of return for each major asset class included in OPF’s target asset allocation as of December 31, 2019 are summarized below:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	120.00 %	

* levered 2x

OPF’s Board of Trustees has incorporated the “risk parity” concept into OPF’s asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 10 – DEFINED BENEFIT PENSION PLANS (Continued)

Discount Rate For 2019, the total pension liability was calculated using the discount rate of 8.00 percent. The discount rate used for 2018 was 8.00 percent. The projection of cash flows used to determine the discount rate assumed the contributions from employers and from the members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earning were calculated using the longer-term assumed investment rate of return 8.00 percent. Based on those assumptions, the plan’s fiduciary net position was projected to be available to make all future benefit payments of current plan members. Therefore, a long-term expected rate of return on pension plan investments was applied to all periods of projected benefits to determine the total pension liability.

Sensitivity of the City's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate Net pension liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net pension liability calculated using the discount rate of 8.00 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7.00 percent), or one percentage point higher (9.00 percent) than the current rate.

	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
City's proportionate share of the net pension liability	\$65,425,847	\$47,205,981	\$31,966,868

This Space Intentionally Left Blank

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F)

Net OPEB Liability

The net OPEB liability reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the City’s proportionate share of each OPEB plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan’s fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City’s obligation for this liability to annually required payments. The City cannot control benefit terms or the manner in which OPEB are financed; however, the City does receive the benefit of employees’ services in exchange for compensation including OPEB.

GASB 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employers and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio revised Code permits, but does not require the retirement systems to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of each plan’s unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on both the accrual and modified accrual bases of accounting.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Plan Description – Ohio Public Employees Retirement System (OPERS)

Plan Description - The Ohio Public Employees Retirement System (OPERS) administers three separate pension plans: the traditional pension plan, a cost-sharing, multiple-employer defined benefit pension plan; the member-directed plan, a defined contribution plan; and the combined plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the traditional pension and combined plans must have 20 or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement 75. See OPERS' comprehensive annual financial report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy - The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS' Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary and public safety and law enforcement employers contributed at 18.1 percent. These are the maximum employer contribution rates permitted by the Ohio Revised Code. Active member contributions do not fund health care.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The City's contractually required contribution was \$0 for 2020.

Plan Description – Ohio Police & Fire Pension Fund (OP&F)

Plan Description – The City contributes to the Ohio Police and Fire Pension Fund (OP&F) sponsored healthcare program, a cost-sharing, multiple-employer defined post-employment health care plan administered by a third-party provider. This program is not guaranteed and is subject to change at any time upon action of the Board of Trustees. On January 1, 2019, OP&F implemented a new model for health care. Under this new model, OP&F provides eligible retirees with a fixed stipend earmarked to pay for health care and Medicare Part B reimbursements.

A retiree is eligible for the OP&F health care stipend unless they have access to any other group coverage including employer and retirement coverage. The eligibility of spouses and dependent children could increase the stipend amount. If the spouse or dependents have access to any other group coverage including employer or retirement coverage, they are not eligible for stipend support from OP&F. Even if an OP&F member or their dependents are not eligible for a stipend, they can use the services of the third-party administrator to select and enroll in a plan. The stipend provided by OP&F meets the definition of an Other Post Employment Benefit (OPEB) as described in Governmental Accounting Standards Board (GASB) Statement No. 75.

The Ohio Revised Code allows, but does not mandate, OP&F to provide OPEB benefits. Authority for the OP&F Board of Trustees to provide health care coverage to eligible participants and to establish and amend benefits is codified in Chapter 742 of the Ohio Revised Code.

OP&F issues a publicly available financial report that includes financial information and required supplementary information for the plan. The report may be obtained by visiting the OP&F website at www.op-f.org or by writing to the Ohio Police and Fire Pension Fund, 140 East Town Street, Columbus, Ohio 43215-5164.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Funding Policy – The Ohio Revised Code provides for contribution requirements of the participating employers and of plan members to the OP&F defined benefit pension plan. Participating employers are required to contribute to the pension plan at rates expressed as percentages of the payroll of active pension plan members, currently 19.5 percent and 24 percent of covered payroll for police and fire employer units, respectively. The Ohio Revised Code states that the employer contribution may not exceed 19.5 percent of covered payroll for police employer units and 24 percent of covered payroll for fire employer units. Active members do not make contributions to the OPEB Plan.

OP&F maintains funds for health care in two separate accounts. There is one account for health care benefits and one account for Medicare Part B reimbursements. A separate health care trust accrual account is maintained for health care benefits under IRS Code Section 115 trust. An Internal Revenue Code 401(h) account is maintained for Medicare Part B reimbursements.

The Board of Trustees is authorized to allocate a portion of the total employer contributions made into the pension plan to the Section 115 trust and the Section 401(h) account as the employer contribution for retiree health care benefits. For 2020, the portion of employer contributions allocated to health care was 0.5 percent of covered payroll. The amount of employer contributions allocated to the health care plan each year is subject to the Trustees' primary responsibility to ensure that pension benefits are adequately funded and is limited by the provisions of Sections 115 and 401(h).

The OP&F Board of Trustees is also authorized to establish requirements for contributions to the health care plan by retirees and their eligible dependents or their surviving beneficiaries. Payment amounts vary depending on the number of covered dependents and the coverage selected.

The City's contractually required contribution to OP&F was \$88,219 for 2020. Of this amount, \$3,499 is reported as an intergovernmental payable.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. OP&F's total OPEB liability was measured as of December 31, 2019, and was determined by rolling forward the total OPEB liability as of January 1, 2019, to December 31, 2019. The City's proportion of the net OPEB liability was based on the City's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Following is information related to the proportionate share and OPEB expense:

	OPERS	OP&F	Total
Proportionate Share of the Net OPEB Liability	\$27,038,853	\$6,921,777	\$33,960,630
Proportion of the Net OPEB Liability-2020	0.195755%	0.700746%	
Proportion of the Net OPEB Liability-2019	0.195454%	0.708997%	
Percentage Change	<u>0.000301%</u>	<u>(0.008251%)</u>	
OPEB Expense	\$3,453,321	\$789,376	\$4,242,697

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	OPERS	OP&F	Total
Deferred Outflows of Resources			
Changes in assumptions	\$4,279,964	\$4,046,737	\$8,326,701
Differences between expected and actual experience	726	0	726
Change in proportionate share	36,531	1,079,389	1,115,920
City contributions subsequent to the measurement date	0	88,219	88,219
Total Deferred Outflows of Resources	<u>\$4,317,221</u>	<u>\$5,214,345</u>	<u>\$9,531,566</u>
Deferred Inflows of Resources			
Net difference between projected and actual earnings on OPEB plan investments	\$1,376,812	\$318,512	\$1,695,324
Changes in assumptions	0	1,475,135	1,475,135
Differences between expected and actual experience	2,472,826	744,374	3,217,200
Change in proportionate share	0	385,801	385,801
Total Deferred Inflows of Resources	<u>\$3,849,638</u>	<u>\$2,923,822</u>	<u>\$6,773,460</u>

\$88,219 reported as deferred outflows of resources related to OPEB resulting from City contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

	OPERS	OP&F	Total
Year Ending December 31:			
2021	\$730,030	\$410,616	\$1,140,646
2022	324,778	410,620	735,398
2023	1,096	475,952	477,048
2024	(588,321)	372,947	(215,374)
2025	0	385,284	385,284
2026	0	88,873	88,873
2027	0	58,012	58,012
Total	<u>\$467,583</u>	<u>\$2,202,304</u>	<u>\$2,669,887</u>

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Actuarial Assumptions - OPERS

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior Measurement date	3.96 percent
Investment Rate of Return:	
Current measurement date	6.00 percent
Prior Measurement date	6.00 percent
Municipal Bond Rate:	
Current measurement date	2.75 percent
Prior Measurement date	3.71 percent
Health Care Cost Trend Rate:	
Current measurement date	10.5 percent initial, 3.5 percent ultimate in 2030
Prior Measurement date	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age Normal

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

The most recent experience study was completed for the five year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)</u>
Fixed Income	36.00 %	1.53 %
Domestic Equities	21.00	5.75
Real Estate Investment Trust	6.00	5.69
International Equities	23.00	7.66
Other investments	14.00	4.90
Total	100.00 %	4.55 %

Discount Rate A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The following table presents the City’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the City’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (2.16 percent) or one-percentage-point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
City's proportionate share of the net OPEB liability	\$35,384,674	\$27,038,853	\$20,356,562

Sensitivity of the City’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
City's proportionate share of the net OPEB liability	\$26,240,958	\$27,038,853	\$27,826,573

On January 15, 2020, the Board approved several changes to the health care plan offered to Medicare and pre-Medicare retirees in efforts to decrease costs and increase the solvency of the health care plan. These changes are effective January 1, 2022, and include changes to base allowances and eligibility for Medicare retirees, as well as replacing OPERS-sponsored medical plans for pre-Medicare retirees with monthly allowances, similar to the program for Medicare retirees. These changes are not reflected in the current year financial statements but are expected to decrease the associated OPEB liability.

Actuarial Assumptions – OP&F

OP&F's total OPEB liability as of December 31, 2019, is based on the results of an actuarial valuation date of January 1, 2019, and rolled-forward using generally accepted actuarial procedures. The total OPEB liability is determined by OP&F's actuaries in accordance with GASB Statement No. 74, as part of their annual valuation. Actuarial valuations of an ongoing plan involve estimates of reported amounts and assumptions about probability of occurrence of events far into the future. Examples include assumptions about future employment mortality, salary increases, disabilities, retirements and employment terminations. Actuarially determined amounts are subject to continual review and potential modifications, as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employers and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

Actuarial calculations reflect a long-term perspective. For a newly hired employee, actuarial calculations will take into account the employee's entire career with the employer and also take into consideration the benefits, if any, paid to the employee after termination of employment until the death of the employee and any applicable contingent annuitant. In many cases, actuarial calculations reflect several decades of service with the employer and the payment of benefits after termination.

Key methods and assumptions used in the latest actuarial valuation, reflecting experience study results, are presented below.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Valuation Date	January 1, 2019, with actuarial liabilities rolled forward to December 31, 2019	January 1, 2018, with actuarial liabilities rolled forward to December 31, 2018
Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Investment Rate of Return	8.0 percent	8.0 percent
Projected Salary Increases	3.75 percent to 10.5 percent	3.75 percent to 10.5 percent
Payroll Growth	Inflation rate of 2.75 percent plus productivity increase rate of 0.5	Inflation rate of 2.75 percent plus productivity increase rate of 0.5
Single discount rate	3.56 percent	4.66 percent
Cost of Living Adjustments	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent	3.00 percent simple; 2.2 percent simple for increases based on the lesser of the increase in CPI and 3 percent

Mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale. Rates for surviving beneficiaries are adjusted by 120 percent.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
67 or less	77 %	68 %
68-77	105	87
78 and up	115	120

Mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006, adjusted according to the rates in the following table, and projected with the Buck Modified 2016 Improvement Scale.

<u>Age</u>	<u>Police</u>	<u>Fire</u>
59 or less	35 %	35 %
60-69	60	45
70-79	75	70
80 and up	100	90

The most recent experience study was completed for the five year period ended December 31, 2016. The prior experience study was completed December 31, 2011.

The long-term expected rate of return on OPEB plan investments was determined using a building-block approach and assumes a time horizon, as defined in the Statement of Investment Policy. A forecasted rate of inflation serves as the baseline for the return expected. Various real return premiums over the baseline inflation rate have been established for each asset class. The long-term expected nominal rate of return has been determined by calculating a weighted averaged of the expected real return premiums for each asset class, adding the projected inflation rate and adding the expected return from rebalancing uncorrelated asset classes. Best estimates of the long-term expected geometric real rates of return for each major asset class included in OP&F's target asset allocation as of December 31, 2019, are summarized below:

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long Term Expected Real Rate of Return</u>
Cash and Cash Equivalents	0.00 %	1.00 %
Domestic Equity	16.00	5.40
Non-US Equity	16.00	5.80
Private Markets	8.00	8.00
Core Fixed Income *	23.00	2.70
High Yield Fixed Income	7.00	4.70
Private Credit	5.00	5.50
U.S. Inflation Linked Bonds*	17.00	2.50
Master Limited Partnerships	8.00	6.60
Real Assets	8.00	7.40
Private Real Estate	12.00	6.40
Total	<u>120.00 %</u>	

* levered 2x

OP&F's Board of Trustees has incorporated the risk parity concept into OP&F's asset liability valuation with the goal of reducing equity risk exposure, which reduces overall Total Portfolio risk without sacrificing return, and creating a more risk-balanced portfolio based on their relationship between asset classes and economic environments. From the notional portfolio perspective above, the Total Portfolio may be levered up to 1.2 times due to the application of leverage in certain fixed income asset classes.

Discount Rate For 2019, the total OPEB liability was calculated using the discount rate of 3.56 percent. For 2018, the total OPEB liability was calculated using the discount rate of 4.66 percent. The projection of cash flows used to determine the discount rate assumed the contribution from employers and from members would be computed based on contribution requirements as stipulated by State statute. Projected inflows from investment earnings were calculated using the longer-term assumed investment rate of return of 8 percent. Based on those assumptions, OP&F's fiduciary net position was projected to not be able to make all future benefit payments of current plan members. Therefore, a municipal bond rate of 2.75 percent at December 31, 2019 and 4.13 percent at December 31, 2018, was blended with the long-term rate of 8 percent, which resulted in a blended discount rate of 3.56 percent for 2019 and 4.66 percent for 2018. The municipal bond rate was determined using the Bond Buyers General Obligation 20-year Municipal Bond Index Rate. The OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments until 2034. The long-term expected rate of return on health care investments was applied to projected costs through 2034, and the municipal bond rate was applied to all health care costs after that date.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

A. Ohio Public Employees Retirement System (OPERS) and Ohio Police & Fire Pension Fund (OP&F) (Continued)

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate The net OPEB liability is sensitive to changes in the discount rate, and to illustrate the potential impact the following table presents the net OPEB liability calculated using the discount rate of 3.56 percent, as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (2.56 percent), or one percentage point higher (4.56 percent) than the current rate.

	<u>1% Decrease (2.56%)</u>	<u>Current Discount Rate (3.56%)</u>	<u>1% Increase (4.56%)</u>
City's proportionate share of the net OPEB liability	\$8,582,558	\$6,921,777	\$5,541,786

Sensitivity of the City's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate The total OPEB liability is based on a medical benefit that is a flat dollar amount; therefore, it is unaffected by a health care cost trend rate. An increase or decrease in the trend rate would have no effect on the total OPEB liability.

This Space Intentionally Left Blank

*Notes to the Basic Financial Statements
For the Year Ended December 31, 2020*

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan

Total OPEB Liability

The Total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description

Plan Description – The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under the Public Employees Retirement System, Ohio Police and Fire Pension Fund, or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy – Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The City’s contractually required contribution was \$87,222 for 2020.

At December 31, 2020 the number of active participants was 579 and the number of retirees was 657.

The City’s Retiree Life Insurance plan has no assets.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan (Continued)

Changes in the Total OPEB Liability, OPEB expense, Deferred Outflows of Resources and Deferred Inflows of Resources

The Total OPEB liability for the Retiree Life Insurance plan was determined by an actuarial valuation as of December 31, 2020. Following is information related to changes in the Total OPEB liability:

	Changes in Total OPEB Liability
Total OPEB Liability 12/31/19	\$1,502,960
Service cost	18,382
Interest	40,140
Difference between expected and actual experience	21,914
Changes of assumptions	135,366
Benefit payments	(87,222)
Total OPEB Liability 12/31/20	\$1,631,540
Retiree Life Insurance Plan OPEB expense	\$35,325

At December 31, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance Plan from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
<u>Retiree Life Insurance Plan</u>		
Changes in assumptions	\$205,996	\$19,930
Differences between expected and actual experience	43,099	0
Total	\$249,095	\$19,930

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance Plan will be recognized in OPEB expense as follows:

Year Ending December 31:	
2021	\$64,025
2022	67,293
2023	63,924
2024	30,840
2025	3,083
Total	\$229,165

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 11 - DEFINED BENEFIT OPEB PLANS (Continued)

B. Retiree Life Insurance Plan (Continued)

Actuarial Assumptions

Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Single Discount Rate:	
Current measurement date	2.00 percent
Prior Measurement date	2.75 percent
Actuarial Cost Method	Entry Age Normal

Mortality Rates:	
Non-Disabled	Pub-2010 General/Public Safety
Retired	Pub-2010 General Retiree
Disabled	Pub-2010 General Disabled Retiree
Weighting	Headcount-weighted
Future Improvement	Projected generationally using Scale MP-2020

The most recent experience study was completed for the five year period ended December 31, 2018.

Discount Rate A single discount rate of 2.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. Because the Retiree Life Insurance Plan is not funded, the discount rate is based on a 20-year tax exempt municipal bond rate based on published indices.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate The following table presents the Retiree Life Insurance Plan total OPEB liability calculated using the single discount rate of 2.00 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00 percent) or one-percentage-point higher (3.00 percent) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$1,861,139	\$1,631,540	\$1,444,253

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS

Long-term debt and other long-term obligations of the City at December 31, 2020 were as follows:

Issue Date	Interest Rate	Description	Maturity Date	Balance			Balance December 31, 2020	Due Within One Year
				December 31, 2019	Additions	Reductions		
Governmental Activities Debt:								
General Obligation Bonds:								
2009	2.5% - 4.50%	Various Purpose 2009 G O Bonds	2028	\$2,180,000	\$0	(\$2,180,000)	\$0	\$0
2020	3.0% - 4.00%	Various Purpose 2020	2040	0	2,500,000	0	2,500,000	0
2020	3.0% - 4.00%	Various Purpose 2020 Refunding	2040	0	1,625,000	0	1,625,000	455,000
2018	2.6% - 4.00%	Various Purpose	2048	10,260,000	0	(220,000)	10,040,000	230,000
2018	3.50%	Property Improvement	2021	1,000,000	0	0	1,000,000	1,000,000
Total General Obligation Bonds				13,440,000	4,125,000	(2,400,000)	15,165,000	1,685,000
Special Obligation Non-Tax Revenue Bonds:*								
2020	1.85%	Champions Mill Project	2024	0	28,655,000	(28,655,000)	0	0
2020	0.93% - 3.48%	Champions Mill Project Refunding	2050	0	30,025,000	0	30,025,000	0
2020	0.93% - 3.48%	Champions Mill Project	2050	0	1,875,000	0	1,875,000	0
Total Special Obligation Non-Tax Revenue Bonds				0	60,555,000	(28,655,000)	31,900,000	0
Income Tax Revenue Bonds:*								
2017	3.00%	Various Purpose Refunding	2035	7,979,919	0	(395,713)	7,584,206	411,994
2017	3.00%	Various Purpose	2035	832,107	0	(170,942)	661,165	180,385
2017	2.39%	Various Purpose Refunding	2026	1,453,583	0	(190,543)	1,263,040	200,882
Total Income Tax Revenue Bonds				10,265,609	0	(757,198)	9,508,411	793,261
Special Assessment Bonds:								
2003	5.25%	Shaffer's Creek Sanitary Sewer	2022	50,000	0	(10,000)	40,000	10,000
2000	5.74-5.8%	Various Purpose Series 2000	2020	25,000	0	(25,000)	0	0
2001	6.00%	Various Purpose Series 2001	2021	135,000	0	(65,000)	70,000	70,000
Total Special Assessment Bonds (with Governmental Commitment)				210,000	0	(100,000)	110,000	80,000
Issuance Discounts/Premiums				(37,771)	356,083	(11,171)	307,141	0
Total Bonds Payable				23,877,838	65,036,083	(31,923,369)	56,990,552	2,558,261
Ohio Water Development Authority Loans Payable:*								
2016	2.13%	South Hamilton Road Storm Water	2049	3,331,707	0	(95,869)	3,235,838	48,702
2020	1.47%	Spooky Nook Public Improvements	2052	0	803,232	0	803,232	0
Total Ohio Water Development Authority Loans Payable				3,331,707	803,232	(95,869)	4,039,070	48,702
Long Term Notes:								
2019	2.42%	Various Purpose	2020	3,893,340	0	(3,893,340)	0	0
Governmental Activities Other Long-Term Obligations:								
Capital Leases				24,335,000	0	(465,000)	23,870,000	480,000
Compensated absences				4,720,066	2,152,421	(2,189,253)	4,683,234	2,355,457
Governmental Activities Debt and Other Long-Term Obligations				\$60,157,951	\$67,991,736	(\$38,566,831)	\$89,582,856	\$5,442,420

*The Income Tax Revenue Bonds and Special Obligation Non-Tax Revenue Bonds are direct placement debt. The Ohio Water Development Authority Loans are direct borrowing debt.

The principal amount of the City's special assessment bonds outstanding was \$110,000. The special assessments issued are for non-capital related repairs to sidewalks, streets, etc. Special assessment bonds are general obligation debt (backed by the full faith and credit of the City) that is being retired with the proceeds from special assessments levied against benefited property owners. The City is obligated to repay the debt irrespective of the amount of special assessments collected from property owners.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

Issue Date	Interest Rate	Description	Maturity Date	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Business-Type Activities Debt:								
Mortgage Revenue Bonds:								
2017	2.23%	Gas Refunding	2027	\$4,715,000	\$0	(\$545,000)	\$4,170,000	\$555,000
2018	3.80%	Gas Improvements	2038	1,665,000	0	(60,000)	1,605,000	65,000
2018	3.0% - 5.0%	Electric Refunding	2030	12,580,000	0	(890,000)	11,690,000	940,000
2019	3.0% - 5.0%	Electric Refunding	2039	11,285,000	0	(105,000)	11,180,000	20,000
2019	3.0% - 5.0%	Electric Improvements	2049	15,600,000	0	(215,000)	15,385,000	280,000
2015	2.0% - 5.0%	Water Refunding	2044	10,590,000	0	(305,000)	10,285,000	310,000
2018	4.00%	Water Refunding	2029	5,625,000	0	(470,000)	5,155,000	490,000
2018	3.0% - 4.0%	Water Improvements	2048	2,910,000	0	(60,000)	2,850,000	60,000
2019	3.0% - 4.0%	Water Refunding	2039	8,075,000	0	(50,000)	8,025,000	20,000
2019	3.0% - 4.0%	Water Improvements	2049	1,800,000	0	(30,000)	1,770,000	35,000
2016	1.75% - 5.0%	Wastewater Refunding	2026	7,060,000	0	(875,000)	6,185,000	920,000
2018	2.0% - 5.0%	Wastewater Refunding	2041	24,000,000	0	(735,000)	23,265,000	755,000
2019	3.0% - 5.0%	Wastewater Refunding	2039	8,865,000	0	(295,000)	8,570,000	260,000
				<u>114,770,000</u>	<u>0</u>	<u>(4,635,000)</u>	<u>110,135,000</u>	<u>4,710,000</u>
		Issuance Discounts/Premiums		<u>8,234,012</u>	<u>0</u>	<u>(649,137)</u>	<u>7,584,875</u>	<u>0</u>
		Total Mortgage Revenue Bonds		<u>123,004,012</u>	<u>0</u>	<u>(5,284,137)</u>	<u>117,719,875</u>	<u>4,710,000</u>
General Obligation Bonds:								
2018	2.6% - 4.0%	Wastewater Improvements	2038	535,000	0	(20,000)	515,000	20,000
Ohio Water Development Authority Loans:*								
2010	3.25%	Sanitary Sewer Improvements	2030	271,310	0	(20,884)	250,426	21,568
2016	1.33%	River Road Water Main	2037	850,260	0	(42,103)	808,157	42,665
2018	2.22%	Sanitary Sewer Improvements	2049	1,072,587	0	(31,756)	1,040,831	16,143
		Total Ohio Water Development Authority Loans		<u>2,194,157</u>	<u>0</u>	<u>(94,743)</u>	<u>2,099,414</u>	<u>80,376</u>
Ohio Public Works Commission Loans:*								
2016	0.00%	Gilmore Road Pump Station I	2049	3,127,129	0	(53,916)	3,073,213	107,832
2016	0.00%	Pershing Avenue Water Main	2048	699,945	0	(12,499)	687,446	24,998
2017	0.00%	State Route 4 Water Main	2049	415,207	0	(7,159)	408,048	14,318
2017	0.00%	Arlington Avenue Water Main	2049	590,777	0	(9,846)	580,931	19,692
2017	0.00%	Gilmore Road Pump Station II	2049	394,943	0	(6,809)	388,134	13,618
2018	0.00%	Southern Hills Water Main	2049	1,813,380	0	(30,223)	1,783,157	60,446
2019	0.00%	Bilstein Water Main Loop	2050	238,021	0	(3,967)	234,054	7,934
2020	0.00%	Highland Park Water Main	2051	0	1,398,025	0	1,398,025	0
2019	0.00%	North Third Street Water Main	2050	1,096,970	442,230	0	1,539,200	25,653
		Total Ohio Public Works Commission Loans		<u>8,376,372</u>	<u>1,840,255</u>	<u>(124,419)</u>	<u>10,092,208</u>	<u>274,491</u>
Business-Type Activities Other Long-Term Obligations:								
		Compensated absences		<u>2,941,040</u>	<u>1,780,400</u>	<u>(1,631,003)</u>	<u>3,090,437</u>	<u>1,711,280</u>
		Business-Type Activities Debt and Other Long-Term Obligations		<u>\$137,050,581</u>	<u>\$3,620,655</u>	<u>(\$7,154,302)</u>	<u>\$133,516,934</u>	<u>\$6,796,147</u>

*The Ohio Water Development Authority Loans and Ohio Public Works Commission Loans are direct borrowings.

Outstanding revenue bonds totaled \$110,135,000 at December 31, 2020. Under the terms of the revenue bond indentures, the City has agreed to certain covenants including, among other things, maintaining revenue levels to provide for operating expenses and debt service. All of the borrowing issued under the master trust indentures for the revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the insurer guarantees the payments of principal and interest.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

The City's total debt margin was \$83,056,230 at December 31, 2020. The Ohio Revised Code provides that the net debt of a municipal corporation, when approved by the electors, shall not exceed 10.5% of the total value of all property in the municipal corporation as listed and assessed for taxation. In addition, the unvoted net debt of municipal corporations cannot exceed 5.5% of the total taxable value of property. The statutory limitations on debt are measured by a direct ratio of net debt to tax valuation and expressed in terms of a percentage.

A. Long-Term Note Issuance

Long term notes payable consisted of Various Purpose Improvement Notes issued to finance property acquisition and improvements. On March 20, 2020 these notes were paid off with proceeds from a special obligation bond issuance; therefore, these notes payable are recorded as long-term obligations.

B. General Obligation Bond Issuance

In November 2020 the City issued \$4,125,000 of various purpose general obligation bonds. A portion of the bonds was used to refund bonds previously issued, and the remaining proceeds were used for street improvements. The bonds carry an interest rate of 3.0% to 4.0% and mature in October 2040.

C. Special Obligation Bond Issuance

In 2020 the City issued Special Obligation bonds to (i) provide grants and loans to the Hamilton Community Improvement Corporation (CIC) and to the Consortium for Ongoing Reinvestment Efforts (CORE) for the purpose of facilitating the acquisition and improvement of properties in the City, and (ii) to provide financing for the Spooky Nook project at the former Champion Paper Mill property.

Bonds in the amount of \$28,655,000 were initially issued in March 2020. These bonds were subsequently refunded in September 2020 with a portion of a \$31,900,000 issuance. The outstanding bonds carry an interest rate of 0.933% to 3.481% and mature in 2050.

These Special Obligation bonds are not a general obligation of the City. The holders of the bonds do not have the right to have excises or taxes levied by the City for the payment of principal and interest.

D. Defeasance of Debt

In November 2020 the City defeased \$1,720,000 of Various Purpose General Obligation Bonds dated 2009, through the issuance of \$1,625,000 of General Obligation Refunding Bonds. The net proceeds of the 2020 Bonds have been used to currently refund the 2009 bonds. The City reduced its aggregate debt service payments over the life of the refunded bonds by \$146,020 and obtained an economic gain (difference between the present values of the old and new debt service payments) of \$141,366.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

D. Defeasance of Debt (Continued)

In September 2020 the City defeased \$28,655,000 of Special Obligation Bonds dated March 2020, through the issuance of \$30,025,000 of Special Obligation Refunding Bonds. The net proceeds of the September 2020 Bonds have been used to currently refund the March 2020 bonds. The City increased its aggregate debt service payments over the life of the refunded bonds by \$16,438,584 which resulted in an economic loss (difference between the present values of the old and new debt service payments) of \$2,149,320.

This space intentionally left blank.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

E. Future Long-Term Financing Requirements

A summary of the City's future long-term debt funding requirements including principal and interest payments as of December 31, 2020 follows:

GOVERNMENTAL ACTIVITIES									
Years	General Obligation Bonds			Special Assessment Bonds			Income Tax Revenue Bonds*		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$1,685,000	\$492,252	\$2,177,252	\$80,000	\$6,300	\$86,300	\$793,261	\$267,800	\$1,061,061
2022	530,000	465,634	995,634	30,000	2,363	32,363	812,089	244,971	1,057,060
2023	615,000	446,834	1,061,834	0	0	0	837,220	220,591	1,057,811
2024	640,000	424,734	1,064,734	0	0	0	672,296	199,941	872,237
2025	470,000	401,734	871,734	0	0	0	691,163	180,824	871,987
2026-2030	2,315,000	1,788,929	4,103,929	0	0	0	2,815,533	641,305	3,456,838
2031-2035	2,565,000	1,437,919	4,002,919	0	0	0	2,886,849	219,394	3,106,243
2036-2040	3,005,000	935,025	3,940,025	0	0	0	0	0	0
2041-2045	1,970,000	486,575	2,456,575	0	0	0	0	0	0
2046-2048	1,370,000	104,063	1,474,063	0	0	0	0	0	0
Totals	\$15,165,000	\$6,983,699	\$22,148,699	\$110,000	\$8,663	\$118,663	\$9,508,411	\$1,974,826	\$11,483,237

GOVERNMENTAL ACTIVITIES			
Special Obligation Non-Tax Revenue Bonds*			
Years	Principal	Interest	Total
2021	\$0	\$726,824	\$726,824
2022	80,000	920,953	1,000,953
2023	80,000	920,161	1,000,161
2024	580,000	916,402	1,496,402
2025	585,000	909,399	1,494,399
2026-2030	4,785,000	4,317,592	9,102,592
2031-2035	5,325,000	3,761,706	9,086,706
2036-2040	6,105,000	2,947,108	9,052,108
2041-2045	6,645,000	1,902,487	8,547,487
2046-2050	7,715,000	689,673	8,404,673
Totals	\$31,900,000	\$18,012,305	\$49,912,305

BUSINESS-TYPE ACTIVITIES									
Years	Revenue Bonds			General Obligation Bonds			OWDA/OPWC Loans*		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2021	\$4,710,000	\$4,339,644	\$9,049,644	\$20,000	\$17,717	\$37,717	\$354,867	\$41,578	\$396,445
2022	4,865,000	4,163,672	9,028,672	25,000	16,917	41,917	401,928	39,497	441,425
2023	5,065,000	3,964,691	9,029,691	25,000	16,117	41,117	403,234	37,385	440,619
2024	5,250,000	3,783,686	9,033,686	25,000	15,367	40,367	404,573	35,241	439,814
2025	5,470,000	3,559,320	9,029,320	25,000	14,618	39,618	405,944	33,065	439,009
2026-2030	24,030,000	14,441,156	38,471,156	135,000	62,100	197,100	2,051,484	131,481	2,182,965
2031-2035	23,280,000	9,927,321	33,207,321	155,000	41,200	196,200	1,932,244	82,924	2,015,168
2036-2040	25,050,000	4,939,869	29,989,869	105,000	12,688	117,688	1,786,889	48,331	1,835,220
2041-2045	8,440,000	1,346,838	9,786,838	0	0	0	1,682,092	26,451	1,708,543
2046-2050	3,975,000	302,663	4,277,663	0	0	0	1,344,689	6,666	1,351,355
2051	0	0	0	0	0	0	25,653	0	25,653
Totals	\$110,135,000	\$50,768,860	\$160,903,860	\$515,000	\$196,724	\$711,724	\$10,793,597	\$482,619	\$11,276,216

*The Income Tax Revenue Bonds and Special Obligation Non-Tax Revenue Bonds are direct placement debt. The Ohio Water Development Authority Loans and Ohio Public Works Commission Loans are direct borrowing debt.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

F. Conduit Debt

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. As of December 31, 2020, there were four series of Industrial Revenue Bonds outstanding with an aggregate principal amount payable of \$15,851,460.

G. Ohio Water Development Authority Loans

South Hamilton Road Improvements - In 2016 the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for storm water improvements at South Hamilton Road. The total amount is subject to change and has not been finalized. The interest rate on the loan is 2.13%, per annum. This loan is payable from storm water collection charges and is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$3,378,885 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2020, the loan has not been finalized and there is no amortization schedule for the loan.

Spooky Nook Improvements - In 2020 the City entered into an agreement with the OWDA, as administrator for the U. S. Environmental Protection Agency (EPA), for the City to receive a loan for public infrastructure improvements at the Spooky Nook project. The total amount is subject to change and has not been finalized. The interest rate on the loan is 1.47%, per annum. This loan is payable from storm water collection charges and is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$803,232 from OWDA. Subsequent amounts will be received in future years. As of December 31, 2020, the loan has not been finalized and there is no amortization schedule for the loan.

H. Ohio Public Works Commission Loans

Highland Park Water Main Replacement - In 2020 the City obtained financing through the Ohio Public Works Commission for a water main replacement project in the Highland Park area at an interest rate of 0%. This loan is received by the City in increments as the project is completed. As of December 31, 2020, the City had received \$1,398,025 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2020, the loan has not been finalized and there is no amortization schedule for the loan.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 12 - LONG-TERM DEBT AND OTHER LONG-TERM OBLIGATIONS (Continued)

I. Pledged Revenue Coverage

The Gas Utility revenue bonds are payable from the net revenue derived from operations of the gas utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2027 and 2038. In 2020 the Gas Fund reported \$1,253,090 of net pledged revenues for coverage of a principal and interest debt service requirement of \$773,414.

The Electric Utility revenue bonds are payable from the net revenue derived from operations of the electric utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2030, 2039, and 2049. In 2020 the Electric Fund reported \$5,192,214 of net pledged revenues for coverage of a principal and interest debt service requirement of \$2,592,672.

The Water Utility revenue bonds are payable from the net revenue derived from operations of the water utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2029, 2039, 2044, 2048, and 2049. In 2020 the Water Fund reported \$2,386,924 of net pledged revenues for coverage of a principal and interest debt service requirement of \$2,046,015.

The Wastewater Utility revenue bonds are payable from the net revenue derived from operations of the wastewater utility and are secured by a pledge of and lien on such net revenues until the bond maturity dates of 2026, 2039, and 2041. In 2020 the Wastewater Fund reported \$4,014,120 of net pledged revenues for coverage of a principal and interest debt service requirement of \$3,448,133.

NOTE 13 - CAPITAL LEASE COMMITMENTS

The City leases the Hamilton Government Building from the Hamilton Community Authority (a discretely presented component unit). The capital lease liability is accounted for as Governmental Activities long-term debt. Prior to entering into the capital lease agreement, the City sold the building to the Hamilton Community Authority for \$24,768,150. The building is reported as Governmental Activities capital assets at historical cost. See note 20.

The following is a schedule of the future minimum lease payments under the capital lease together with the present value of the net minimum lease payments as of December 31, 2020:

Year Ending December 31,	Governmental Capital Leases
2021	\$1,402,967
2022	1,399,047
2023	1,399,592
2024	1,399,190
2025	1,402,810
2026-2030	7,005,957
2031-2035	7,009,400
2036-2040	7,011,000
2041-2045	7,003,800
2046-2049	5,603,000
Minimum Lease Payments	40,636,763
Less: Amount representing interest at the City's incremental borrowing rate of interest	(16,766,763)
Present value of minimum lease payments	\$23,870,000

CITY OF HAMILTON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - INSURANCE AND RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability; damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains a number of insurance coverages in order to protect against the various risks mentioned above. Those coverages are as follows:

Property Insurance	\$217,053,723	Limit
Earthquake	\$217,053,723	
Flood	\$10,000,000	
Ordinance or Law Coverage	\$2,500,000	
Extra Expense Designated Locations	\$1,500,000	
Valuable Papers Restoration	\$1,250,000	
Electric Property Insurance	\$382,150,000	Limit
Earthquake	\$50,000,000	
Flood	\$50,000,000	
Demolition and Increased Cost Construction	\$10,000,000	
Newly Acquired Locations	\$5,000,000	
Misc. Unnamed Locations	\$250,000	
Boiler and Machinery	\$40,000,000	Limit
Auto	\$1,000,000	Limit
Comprehensive and Collision	\$20,000	Deductible
Garage Keepers Liability	\$500,000	Limit
Crime – Theft of Money and Securities In/Out	\$100,000	Limit
Forgery and Alteration Coverage	\$100,000	Limit
Public Officials Bond – Treasurer	\$100,000	Limit
Public Officials Bond – All Others		
Various Limits to Named Positions	\$100,000	Limit
Blanket Limit (for police officers)	\$100,000	Limit
Blanket Minimum for All Other employees	\$100,000	Limit
Police Professional Liability (per occurrence)	\$1,000,000	Limit

CITY OF HAMILTON, OHIO

Notes to the Basic Financial Statements
For the Year Ended December 31, 2020

NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)

Public Officials Liability	\$1,000,000	Limit
Public Utilities Excess Liability	\$80,000,000	Limit
Claims Made Retroactive 4/86		
Combined Products Liability		
Completed Operations Liability		
Failure to Supply Liability		
Pollution Liability		
Medical Malpractice Liability		
General Liability (per occurrence)	\$1,000,000	Limit
Products, Personal Injury, Stop Gap Liability	\$1,000,000	Limit
Ambulance Attendants Errors and Omissions	\$1,000,000	Limit
Pollution Legal Liability	\$10,000,000	Limit
Named NDD Housing Lead Abatement		
One Year Term		
Pollution Legal Liability		
Named Brownfield Location – Hamilton Die Cast	\$5,000,000	Limit
10 Year Term		
Cyber Liability	\$5,000,000	Limit
Umbrella	\$19,000,000	Limit
Does not apply separately over the underlying/primary coverages		

Third-party liability coverage is subject to a \$100,000 Self-Insured Retention (SIR). A \$400,000 total Self-Insured Retention (SIR) (annual) will be applicable to Public Entity General Liability, Employee Benefit, Plan Administration Liability, Law Enforcement Liability, Auto Liability, and Public Entity Management Liability. This will act as an aggregate stop loss maximum. Third party claims adjustment services are provided by Travelers Insurance as per the terms of the City of Hamilton’s contract with Travelers Insurance for SIR claims and Cunningham Lindsey U.S. Inc. for utility claims.

There has been no significant reduction in coverage in 2020. Settled claims did not exceed this commercial coverage in any of the past three years.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)

A. Self-Insurance

Medical coverage is offered to employees through a self-funded insurance plan. The plan is offered to local governments state-wide through the Jefferson Health Plan (JHP) in Steubenville, Ohio and administered by United Healthcare of Ohio.

The City participates in the plan and makes payment to the Risk Management Agency based on actuarial estimates of the amounts needed to pay claims and actual amounts needed to pay fixed costs (premiums for stop-loss coverage and medical conversion and administrative fees and services). The claims liability of \$760,605 reported in the General Fund at December 31, 2020 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. This amount is non-discounted and is based upon historical claims experience. Changes in the claims liability in 2019 and 2020 was as follows:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2019	\$396,837	\$6,041,570	(\$5,725,338)	\$713,069
2020	713,069	6,885,803	(6,838,267)	760,605

B. BWC Group Retrospective Rating Program

The City participates in the Ohio BWC Group Retrospective Rating Program. The Group Retrospective Rating Program is a performance-based incentive program designed to recover a portion of premium for employers that reduce injury rates and lower associated claims costs. Group retrospective rating member employers initially pay their individual experience rated premium to the BWC as if they were not in a retro group. The total of the individual premiums for the group members is the “standard premium” of the group. 12 months after the end of the policy year, the BWC will calculate the group retrospective premium, based upon developed incurred claim losses of the entire group. The BWC will then compare the group retrospective premium to the standard premium. If the retrospective premium is lower than the standard premium, group members will receive a rebate of the difference. If the retrospective premium is higher, each group member will be charged an assessment to cover the shortfall. This calculation is done again at 24 and 36 months, providing a financial incentive for group members to continuously work on safety and claims management.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 14 - INSURANCE AND RISK MANAGEMENT (Continued)

C. BWC Individual Retrospective Rating Program

In prior years the City was enrolled in the Ohio BWC’s Individual Retrospective Rating program. Each retrospective rated policy year carries a 10 year liability period. The Individual Retrospective Rating provided the City with an up-front premium discount in exchange for assuming dollar-for-dollar claims liability for any claim filed during the Retrospective Rating policy year. There is a maximum per claim limit and an aggregate policy limit in Retrospective Rating. For 2020 Hamilton’s per claim limit is \$200,000 and its aggregate policy limit is 150% of the standard premium (i.e., premium before the Individual Retrospective Rating discount and less BWC administrative costs).

The claims liability of \$23,925 reported in the General Fund at December 31, 2020 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the claims liability amount are as follows:

Year	Beginning of Year Liability	Current Year Claims and Changes in Estimates	Claims Payments	End of Year Liability
2019	\$2,343	\$7,941	(\$2,343)	\$7,941
2020	7,941	23,925	(7,941)	23,925

This space intentionally left blank.

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 15 – SIGNIFICANT COMMITMENTS

A. Contractual Commitments

As of December 31, 2020, the City had contractual commitments related to property, plant and equipment improvements and additions, as well as various other contracts and agreements to provide or receive services related to the operations of the City. The list below reflects the major contracts that comprise commitments at December 31, 2020:

<u>Vendor</u>	<u>Contractual Commitment</u>
Champion Mill Land LLC	\$6,699,704
Sunesis Construction Company	5,062,823
Historic Mill Land 2 LLC	3,166,185
Sunesis Construction Company	2,512,520
Pepco	1,945,544
Adleta Inc	1,794,119
Gateway Interests LLC	1,329,497
Steel Fab Inc	1,250,120
R A Miller Construction Co Inc	1,100,353
Brumbaugh Construction Inc	662,991
Garland DBS Inc	504,612
The Beaver Excavating Company	497,232
Miller Pipeline Corporation	375,674
Rumpke	330,653
Altec Industries Inc	296,540
Miami Valley Construction Inc	288,738
Motorola Solutions Inc	273,796
C A Advanced Inc	266,070
Trane Company	254,209
Asplundh	230,495
RLA Investments Inc	225,491
	<u>\$29,067,366</u>

B. Encumbrance Commitments

At December 31, 2020 the City had encumbrance commitments in the Governmental Funds as follows:

<u>Fund</u>	<u>Encumbrances</u>
General Fund	\$952,990
Hamilton Capital Improvement Fund	11,626,428
Other Governmental Funds	8,431,925
Total Governmental Funds	<u>\$21,011,343</u>

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 16 – CONTINGENCIES

A. Litigation

Various claims and lawsuits are pending against the City. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the City's financial position.

B. Federal and State Grants

For the period January 1, 2020 to December 31, 2020, the City received federal and state grants for specific purposes that are subject to review and audit by grantor agencies or their designee. Such audits could lead to a request for reimbursement to the grantor agency for expenditures disallowed under the terms of the grant. Based on prior experience, the City believes such disallowance, if any, would be immaterial.

C. Asset Retirement Obligations

GASB Statement No. 83 "*Certain Asset Retirement Obligations*" establishes criteria for determining the recognition of a liability for an Asset Retirement Obligation (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Recognition of the ARO occurs when the liability is both incurred and reasonably estimable. An ARO is incurred based on external laws, regulations, or contracts.

Ohio Revised Code Section 6111.44 requires the City to submit any changes to their sewage treatment system to the Ohio EPA for approval. Through this permitting process, the City would be responsible to address any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the City does not have an approved permit from the Ohio EPA to dispose of all or part of their sewage treatment plants. Due to the lack of specific legal requirements for retiring the sewage treatment plants, the City has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated.

The City's licenses with the Federal Energy Regulatory Commission for operation of the Greenup Hydroelectric Plant on the Ohio River and the City of Hamilton Hydroelectric Plant on the Great Miami River state that, upon retirement of the facility, the Commission may require the City to remove any or all structures, equipment, and power lines within the project boundary and take any such other action necessary to restore the project waters, lands, and facilities remaining. At this time, the City has no plans of retiring these plants and therefore is unable to know what the Commission's requirements would be. Due to the lack of specific license requirements for the retiring of the hydroelectric plants, the City has determined that the amount of the Asset Retirement Obligation cannot be reasonably estimated.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 17 – JOINT VENTURES

The City of Hamilton is a member of a number of Governmental Joint Ventures as described in GASB Statement No. 61. The following is a list of organizations and a brief description of each Joint Venture.

A. Hamilton-Indian Springs Joint Economic Development Districts

In 1996, the Hamilton-Indian Springs Joint Economic Development District (JEDD) between the City of Hamilton and Fairfield Township was approved by Fairfield Township voters. It set aside over 200 acres of prime land, zoned for business and industrial, to be serviced jointly as specified in the contract and marketed for commercial/industrial development. The original JEDD authorized a 2% earnings tax on all business within its boundaries, of which 75% flows to the City and 25% flows to the Township. One stipulation of the JEDD agreement is that the City of Hamilton will not annex any township land for the 30-year term of the contract. In exchange, 12 acres of county-owned land on the boundary between Hamilton and the Township was transferred to the City. The JEDD contains Menards, which opened in 2011, a home improvement chain store with locations throughout the Midwestern United States. Construction was completed on a new Hobby Lobby store in 2015 and Discount Tire and AAA Storage opened for business during 2016. An amendment to the JEDD was approved in August 2004 to add over 100 acres of retail development. This amendment reversed the collection percentage of the entities (75% for Fairfield Township and 25% for the City) for this section of land. To date, the development in the JEDD areas has proceeded at a strong pace. A number of projects and developments have occurred within all phases of the JEDD, including several banks and restaurants, as well as stores such as Wal-Mart, Target, Dick's, Best Buy, JC Penney, Staples and a variety of other retail establishments. The interchange was upgraded and the State Route 4 By-Pass was widened to provide improved access to the JEDD. Due to this JEDD's location around the interchange of State Route 129 and the State Route 4 By-Pass, additional retail and commercial development is expected to continue at this location into the future.

In April 2017, a second amendment to the JEDD was approved to add approximately 184 acres. Income tax collections in this area are distributed 50% to the City of Hamilton and 50% to Fairfield Township. The land comprising the JEDD around the intersection of Gilmore Road and Hamilton Mason Road will include an assisted living facility currently under construction by StoryPoint Senior Living on about 15 acres of the land.

During 2020, the City's distribution of tax collections for the Hamilton-Indian Springs Joint Economic Development District totaled \$627,103.

B. American Municipal Power (AMP) – OMEGA JV2 Project

In December 2000, the City became a part of the OMEGA (Ohio Municipal Energy Generation Association) JV2 Project. The OMEGA JV2 project is a joint venture among the City of Hamilton and 35 other participating municipalities created under the auspices of the Ohio Constitution Section XVIII, Sections 3 and 4 and Ohio Revised Code Section 715.02. All of the participating communities are members of AMP, Inc. and the joint venture has appointed that non-profit corporation to perform certain management functions.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 17 – JOINT VENTURES (Continued)

B. American Municipal Power (AMP) – OMEGA JV2 Project (Continued)

The purpose of the joint venture is to create distributive generation among the participating members allowing for increased electric production capacity during peak demand. The degree of control exercised by any participating member is weighted in proportion to each participant's project share, which is 23.87% for the City (a non-majority voting position). Project share is equal to the amount of distributive generation capacity for each of the members. Membership in the joint venture is defined as financing or non-financing participant, as well as an owner or purchasing participant, for which the City qualifies as a financing, purchasing participant. As a financing purchasing participant, the City makes payments to OMEGA JV2.

The continued existence of OMEGA JV2 is dependent upon the City's continued participation, but the City, as a financing purchasing participant, does not have an equity interest in OMEGA JV2. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43219.

C. Meldahl Hydroelectric Project

AMP constructed a three unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the "Meldahl Project"). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

The City of Hamilton has executed a take-or-pay power sales contract with AMP for a Project Share of 54MW or 51.4% of capacity and associated energy from the Meldahl Project.

Pursuant to the various agreements between Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company ("Meldahl, LLC"). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP, acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of its Meldahl Hydroelectric Project Revenue Bonds (the "Meldahl Bonds") in the amount of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS

The City of Hamilton is a member of a number of Jointly Governed Organizations as described in GASB Statement No. 61. The following is a list of organizations and a brief description of each Jointly Governed Organization.

A. AMP, Inc.

The City of Hamilton is a member of American Municipal Power, Inc. (AMP). AMP is a non-profit corporation organized under Ohio law and Internal Revenue Code Section 501 and is a jointly governed organization. The organization operates on a non-profit basis for the mutual benefit of its member municipalities, all of whom own or operate a municipal electric system. The non-profit corporation is dedicated to providing member assistance and low-cost power supplies.

The controlling board of AMP, Inc. is based upon a representative from several of the member communities. The degree of control exercised by any participating government is limited to its representation on the board. The continued existence of the corporation is not dependent upon the City. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43229.

B. Transportation Improvement District of Butler County

The Transportation Improvement District of Butler County (TID), a jointly governed organization, provides the opportunity to construct roads, bridges, and accompanying improvements within the County. The TID's Board of Trustees, which consists of representatives from Butler County, two cities and three townships, oversees the operation of the District. The continued existence of the TID is not dependent upon the City of Hamilton's continued participation and the City of Hamilton has no equity interest in the Transportation Improvement District. Complete financial statements can be obtained from the Transportation Improvement District, 1921 Fairgrove Ave., Hamilton, Ohio 45011.

C. Butler County Emergency Management Agency

The Butler County Emergency Management Agency (EMA) is a jointly governed organization whose membership consists of Butler County, five cities including the City of Hamilton, and seven villages. The EMA was created by a countywide agreement with the Butler County Commissioners and is intended to provide cooperative effort between all local governments to manage disaster relief and coordinate with the Federal Emergency Management Agency (FEMA) in times of crisis. The twenty-six members of the advisory council comprise one County Commissioner and the chief official of each of the local government members. The continued existence of the Butler County Emergency Management Agency is not dependent upon the City's continued participation and the City of Hamilton has no equity interest in the Butler County EMA. Complete financial statements can be obtained from the Butler County Emergency Management Agency, 315 High Street, Hamilton, Ohio 45011.

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

D. Hamilton Community Improvement Corporation

The Hamilton Community Improvement Corporation (CIC) was incorporated under Internal Revenue Code Section 501(c)(6) in 1966 to advance, encourage, and promote the industrial, economic, commercial, and civil development of the City of Hamilton and the area surrounding it. The CIC is a jointly governed organization. The Board of Trustees of the CIC provides oversight to the CIC's operations and is comprised of members representing the City of Hamilton, the Greater Hamilton Chamber of Commerce and local business officials. The City does not maintain a voting majority on the Board and the CIC is not dependent on the City's continued participation for its continued existence. Complete financial statements can be obtained from the Hamilton Community Improvement Corporation, 345 High Street, Hamilton, Ohio 45011.

E. Hamilton Economic Development Corporation

The Hamilton Economic Development Corporation (HEDC) was organized to provide increased awareness to Downtown Hamilton businesses and to foster economic growth within the City. The corporation was formed under Internal Revenue Code Section 501(c)(6) and is a jointly governed organization. The HEDC's Board provides oversight to the activities of the organization. The Board consists of the City Manager of Hamilton, the Mayor and Vice-Mayor of Hamilton, one County Commissioner, the Superintendent of the Hamilton City School District, and the thirty-three members of the Hamilton Chamber of Commerce. The City does not maintain a voting majority on the Board and the HEDC is not dependent on the City's continued participation for its continued existence. Complete financial statements can be obtained from the HEDC, 201 Dayton Street, Hamilton, Ohio 45011.

F. Ohio-Kentucky-Indiana Regional Council of Governments

The Ohio-Kentucky-Indiana Regional Council of Governments (OKI), a jointly governed organization, was established to provide coordinated planning services to the appropriate federal, state and local governments, their political subdivisions, agencies, departments, instrumentalities, and special districts, in connection with the preparation and development of comprehensive and continuing regional transportation and development plans within the OKI Region. The OKI region includes Butler, Clermont, Hamilton, and Warren Counties in Ohio, Boone, Campbell and Kenton Counties in Kentucky, and Dearborn and Ohio Counties in Indiana.

OKI contracts for local funds and other support with the governing board of each of the governments who are members of OKI or with such other persons as may be appropriate to provide such funds and support. The support is based on the population of the area represented. A Board of Trustees was created for conducting the activities of the OKI. This Board consists of one elected official of each City and municipal corporation, one individual selected by each City planning agency or commission and one person selected by each planning agency or commission of each municipal corporation located in each member City.

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 18 – JOINTLY GOVERNED ORGANIZATIONS (Continued)

F. Ohio-Kentucky-Indiana Regional Council of Governments (Continued)

This Board of Trustees then selects not more than ten residents of the OKI Region. The total membership of the Board of Trustees shall not exceed 100. Any member of OKI may withdraw its membership upon written notice to OKI effective two years after receipt of the notice by OKI. To obtain financial statements of the Ohio-Kentucky-Indiana Regional Council of governments, write to OKI at 720 E. Pete Rose Way, Suite 420, Cincinnati, OH 45202.

NOTE 19 – ENTERPRISE INTERFUND REVENUES AND ADMINISTRATIVE CHARGES

The City's Utility Enterprise activities (Gas, Electric, Water and Wastewater) make sales to one another on both a daily basis and a non-routine basis, at standard utility rates defined by municipal ordinance.

During 2020, the Electric Fund purchased \$66,906 of natural gas from the Gas Fund. This amount is reflected in the purchased electric expense account in the Electric Fund and as charges for services in the Gas Fund.

The Water and Wastewater Funds purchased electric services from the Electric Fund in the amount of \$1,326,350 and \$696,154 respectively, during 2020. These amounts are recorded in the Water and Wastewater Funds as contractual services and as charges for services in the Electric Fund.

The City's Electric System provides street and traffic lighting services to the City and the estimated operating cost of supplying these services was approximately \$295,000 for the year ending December 31, 2020.

Beginning in 2009, Council approved a policy to provide certain utility costs to general government facilities at no cost. The estimated operating cost of supplying gas, water, and wastewater utilities at no cost to general governmental facilities was \$228,728 for the year ending December 31, 2020.

The Utility Systems are allocated a portion of the City's administrative cost from the General Fund. In addition, each Utility is charged expenses by the City's Internal Service Funds. Represented below is the amount charged to each Utility Fund by type of charge or activity for 2020.

	<u>Gas</u>	<u>Electric</u>	<u>Water</u>	<u>Wastewater</u>
Administrative cost (General Fund)	\$1,191,948	\$1,366,902	\$1,165,350	\$1,036,440
Central Services Fund	2,422,260	2,410,766	1,454,572	1,393,842
Fleet Maintenance Fund	301,809	411,010	229,456	60,147
Total	<u>\$3,916,017</u>	<u>\$4,188,678</u>	<u>\$2,849,378</u>	<u>\$2,490,429</u>

CITY OF HAMILTON, OHIO

***Notes to the Basic Financial Statements
For the Year Ended December 31, 2020***

NOTE 20 – DISCRETELY PRESENTED COMPONENT UNIT

The component unit column in the government-wide financial statements includes the financial data of the City's discretely presented component unit, the Hamilton Community Authority (Authority).

A. Basis of Accounting

The basic financial statements of the Authority are prepared using the accrual basis of accounting in conformity with GAAP.

B. Basis of Presentation

The Authority's basic financial statements consist of a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows.

C. Deposits

As of December 31, 2020, the Authority had \$8,333 in cash on deposit with US Bank (Trustee) and \$33,381,710 on deposit with Huntington Bank (Trustee) in accordance with the Authority's Master Trust Agreements with the Trustees. The amount on deposit with the Trustees consists of US Treasury money market funds, US Treasury Bills, and Certificates of Deposit. These accounts are reported as cash and investments on the Statement of Net Position.

D. Capital Lease Receivable

In March 2019, the Authority issued \$24,860,000 in lease revenue bonds to purchase the Hamilton Government Building located at 345 High Street for \$24,768,150. The Authority entered into a capital lease agreement with the City where the City leases the building from the Authority. The Authority has pledged lease payments received from the City for the payment of principal and interest on the bonds. In 2020, the City paid the Authority \$1,401,220 in lease payments.

The following is a schedule of future lease payments under the capital lease as of December 31, 2020:

Years	Lease Receivable		
	Principal	Interest	Total
2021	\$480,000	\$922,967	\$1,402,967
2022	490,000	909,047	1,399,047
2023	505,000	894,592	1,399,592
2024	520,000	879,190	1,399,190
2025	540,000	862,810	1,402,810
2026-2030	2,980,000	4,025,957	7,005,957
2031-2035	3,595,000	3,414,400	7,009,400
2036-2040	4,375,000	2,636,000	7,011,000
2041-2045	5,315,000	1,688,800	7,003,800
2046-2049	5,070,000	533,000	5,603,000
Totals	<u>\$23,870,000</u>	<u>\$16,766,763</u>	<u>\$40,636,763</u>

CITY OF HAMILTON, OHIO

**Notes to the Basic Financial Statements
For the Year Ended December 31, 2020**

NOTE 20 – DISCRETELY PRESENTED COMPONENT UNIT (Continued)

E. Long-Term Debt

Debt activity for the Authority for the year ended December 31, 2020 was as follows:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Due Within One Year
2019 Lease Revenue Bonds	\$24,335,000	\$0	(\$465,000)	\$23,870,000	\$480,000
2020 PACE Bonds	0	32,020,000	0	32,020,000	0
2020 TIF Bonds	0	36,090,000	0	36,090,000	0
Bond Premium (Discount)	626,438	(2,585,974)	62,538	(1,896,998)	0
Total Bonds	\$24,961,438	\$65,524,026	(\$402,462)	\$90,083,002	\$480,000

The Authority issued the lease revenue bonds to purchase the Hamilton Government Building located at 345 High Street in 2019. The Authority entered into a capital lease agreement with the City where the City leases the building from the Authority. The Authority has pledged lease payments received from the City for the payment of principal and interest on the revenue bonds.

The Property Assessed Clean Energy (PACE) Bonds were issued to finance energy improvements at the Champion Mill Spooky Nook Sports Complex site. The City has levied special assessments on the project site, which will be collected and remitted to the Authority. The debt will be retired by the assessments collected from the project site owner. The Authority is reporting a receivable from the City in the amount of \$33,696,646 for the assessments to be collected by the City and remitted to the Authority.

The Authority issued Tax Increment Financing (TIF) Bonds in 2020 to fund infrastructure improvements at the Champion Mill Spooky Nook Sports Complex site. The bonds will be retired with payments in lieu of taxes received from the property owner.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF HAMILTON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability - Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	2014	2015	2016
City's proportion of the net pension liability	0.195707%	0.195707%	0.180651%
City's proportionate share of the net pension liability	\$23,071,305	\$23,604,447	\$31,291,101
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367
City's proportionate share of the net pension liability as a percentage of its covered payroll	95.65%	98.04%	136.86%
Plan fiduciary net position as a percentage of the total pension liability	86.36%	86.45%	81.08%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2014	2015	2016
City's proportion of the net pension liability	0.738902%	0.738902%	0.702774%
City's proportionate share of the net pension liability	\$35,986,826	\$38,278,184	\$45,209,938
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748
City's proportionate share of the net pension liability as a percentage of its covered payroll	243.22%	262.70%	313.77%
Plan fiduciary net position as a percentage of the total pension liability	73.00%	72.20%	66.77%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2014 is not available.

The schedule is reported as of the measurement date of the Net Pension Liability, which is the prior year end.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City's Proportionate Share of the Net Pension Liability - Cost Sharing Plans
Last Seven Years***

Ohio Public Employees Retirement System

Year	2017	2018	2019	2020
City's proportion of the net pension liability	0.181112%	0.194154%	0.192963%	0.192546%
City's proportionate share of the net pension liability	\$41,127,343	\$30,459,006	\$52,848,657	\$38,058,030
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393	\$27,177,157
City's proportionate share of the net pension liability as a percentage of its covered payroll	174.42%	118.70%	201.93%	140.04%
Plan fiduciary net position as a percentage of the total pension liability	77.25%	84.66%	74.70%	82.17%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019	2020
City's proportion of the net pension liability	0.684675%	0.711449%	0.708997%	0.700746%
City's proportionate share of the net pension liability	\$43,366,613	\$43,664,825	\$57,872,890	\$47,205,981
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372	\$16,769,908
City's proportionate share of the net pension liability as a percentage of its covered payroll	294.64%	281.24%	358.85%	281.49%
Plan fiduciary net position as a percentage of the total pension liability	68.36%	70.91%	63.07%	69.89%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

CITY OF HAMILTON, OHIO

***Schedule of City Pension Contributions - Cost Sharing Plans
Last Eight Years***

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	\$3,135,559	\$2,889,118	\$2,743,604	\$2,829,496
Contributions in relation to the contractually required contribution	<u>3,135,559</u>	<u>2,889,118</u>	<u>2,743,604</u>	<u>2,829,496</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367	\$23,579,133
Contributions as a percentage of covered payroll	13.00%	12.00%	12.00%	12.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	\$2,673,790	\$3,091,205	\$3,060,364	\$3,127,255
Contributions in relation to the contractually required contribution	<u>2,673,790</u>	<u>3,091,205</u>	<u>3,060,364</u>	<u>3,127,255</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748	\$14,718,583
Contributions as a percentage of covered payroll	18.07%	21.21%	21.24%	21.25%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 68 in 2015.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of City Pension Contributions - Cost Sharing Plans
Last Eight Years***

Ohio Public Employees Retirement System

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$3,335,767	\$3,664,135	\$3,804,802	\$3,843,264
Contributions in relation to the contractually required contribution	<u>3,335,767</u>	<u>3,664,135</u>	<u>3,804,802</u>	<u>3,843,264</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$25,659,746	\$26,172,393	\$27,177,157	\$27,451,886
Contributions as a percentage of covered payroll	13.00%	14.00%	14.00%	14.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Contractually required contribution	\$3,291,033	\$3,409,109	\$3,544,582	\$3,732,159
Contributions in relation to the contractually required contribution	<u>3,291,033</u>	<u>3,409,109</u>	<u>3,544,582</u>	<u>3,732,159</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$15,525,792	\$16,127,372	\$16,769,908	\$17,643,755
Contributions as a percentage of covered payroll	21.20%	21.14%	21.14%	21.15%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund



CITY OF HAMILTON, OHIO

Schedule of City's Proportionate Share of the Net Other Postemployment Benefits (OPEB) Liability - Cost Sharing Plans Last Four Years

Ohio Public Employees Retirement System

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.184216%	0.196423%	0.195454%	0.195755%
City's proportionate share of the net OPEB liability (asset)	\$18,606,477	\$21,330,123	\$25,482,589	\$27,038,853
City's covered payroll	\$23,579,133	\$25,659,746	\$26,172,393	\$27,177,157
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	78.91%	83.13%	97.36%	99.49%
Plan fiduciary net position as a percentage of the total OPEB liability	54.05%	54.14%	46.33%	47.80%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019	2020
City's proportion of the net OPEB liability (asset)	0.684675%	0.711449%	0.708997%	0.700746%
City's proportionate share of the net OPEB liability (asset)	\$32,499,962	\$40,309,693	\$6,456,505	\$6,921,777
City's covered payroll	\$14,718,583	\$15,525,792	\$16,127,372	\$16,769,908
City's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	220.81%	259.63%	40.03%	41.27%
Plan fiduciary net position as a percentage of the total OPEB liability	15.96%	14.13%	46.57%	47.08%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Net OPEB Liability.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

Schedule of City's Other Postemployment Benefit (OPEB) Contributions-Cost Sharing Plans Last Eight Years

Ohio Public Employees Retirement System

Year	2013	2014	2015	2016
Contractually required contribution	\$241,197	\$481,520	\$457,267	\$471,583
Contributions in relation to the contractually required contribution	<u>241,197</u>	<u>481,520</u>	<u>457,267</u>	<u>471,583</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$24,119,685	\$24,075,983	\$22,863,367	\$23,579,133
Contributions as a percentage of covered payroll	1.00%	2.00%	2.00%	2.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2013	2014	2015	2016
Contractually required contribution	\$536,138	\$72,855	\$72,044	\$73,593
Contributions in relation to the contractually required contribution	<u>536,138</u>	<u>72,855</u>	<u>72,044</u>	<u>73,593</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$14,795,978	\$14,571,091	\$14,408,748	\$14,718,583
Contributions as a percentage of covered payroll	3.62%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2013 is not available.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

Schedule of City's Other Postemployment Benefit (OPEB) Contributions-Cost Sharing Plans Last Eight Years

Ohio Public Employees Retirement System

Year	2017	2018	2019	2020
Contractually required contribution	\$256,597	\$0	\$0	\$0
Contributions in relation to the contractually required contribution	<u>256,597</u>	<u>0</u>	<u>0</u>	<u>0</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$25,659,746	\$26,172,393	\$27,177,157	\$27,451,886
Contributions as a percentage of covered payroll	1.00%	0.00%	0.00%	0.00%

Source: Finance Director's Office and the Ohio Public Employees Retirement System

Ohio Police and Fire Pension Fund

Year	2017	2018	2019	2020
Contractually required contribution	\$77,629	\$80,637	\$83,850	\$88,219
Contributions in relation to the contractually required contribution	<u>77,629</u>	<u>80,637</u>	<u>83,850</u>	<u>88,219</u>
Contribution deficiency (excess)	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>
City's covered payroll	\$15,525,792	\$16,127,372	\$16,769,908	\$17,643,755
Contributions as a percentage of covered payroll	0.50%	0.50%	0.50%	0.50%

Source: Finance Director's Office and the Ohio Police and Fire Pension Fund

CITY OF HAMILTON, OHIO

***Schedule of City's Other Postemployment Benefits (OPEB) Liability –
Single Employer Plan
Last Four Years***

Retiree Life Insurance Plan

Year	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB liability	\$1,386,170	\$1,327,255	\$1,502,960	\$1,631,540
City's covered-employee payroll	38,297,716	41,185,538	42,299,765	43,947,065
Total OPEB liability as a percentage of its covered-employee payroll	3.62%	3.22%	3.55%	3.71%

Source: Finance Director's Office

Notes: The Retiree Life Insurance Plan has no assets.

The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2017 is not available.

The schedule is reported as of the measurement date of the Total OPEB Liability.

See accompanying notes to the required supplementary information

CITY OF HAMILTON, OHIO

***Schedule of Changes in the City's Total Other Postemployment Benefit (OPEB) Liability -
Single Employer Plan
Last Three Years***

Retiree Life Insurance Plan

Year	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability Beginning of Year	\$1,386,170	\$1,327,255	\$1,502,960
Service cost	15,498	14,686	18,382
Interest	47,062	48,811	40,140
Difference between expected and actual experience	19,734	31,916	21,914
Changes of assumptions	(57,311)	166,583	135,366
Benefit payments	<u>(83,898)</u>	<u>(86,291)</u>	<u>(87,222)</u>
Total OPEB Liability End of Year	<u><u>\$1,327,255</u></u>	<u><u>\$1,502,960</u></u>	<u><u>\$1,631,540</u></u>

Source: Finance Director's Office

Notes: The City implemented GASB Statement 75 in 2018.

The schedule is intended to show ten years of information. Additional years will be displayed as they become available. Information prior to 2018 is not available.

See accompanying notes to the required supplementary information

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2020***

NET PENSION LIABILITY – COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%
- Amounts reported beginning in 2017 use mortality rates based on the RP-2014 Healthy Annuitant mortality Table.

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following were the most significant changes of assumptions that affected the total pension liability since the prior measurement date:

- Change in COLA from 3.00% to 1.4% for post 1/7/13 retirees.

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms: There were no changes in benefit terms for the period 2014-2020.

Changes in assumptions:

2014-2017: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2020***

NET PENSION LIABILITY – COST SHARING PLANS (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND (Continued)

2018: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.25% to 8.00%
- Decrease salary increases from 3.75% to 3.25%
- Change in payroll growth from 3.75% to 3.25%
- Reduce DROP interest rate from 4.5% to 4.0%
- Reduce CPI-based COLA from 2.6% to 2.2%
- Inflation component reduced from 3.25% to 2.75%
- For the January 1, 2017, valuation, mortality for non-disabled participants is based on the RP-2014 Total Employee and Healthy Annuitant Mortality Tables rolled back to 2006
- For the January 1, 2017, valuation, mortality for disabled retirees is based on the RP-2014 Disabled Mortality Tables rolled back to 2006

2019-2020: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

NET OPEB LIABILITY - COST SHARING PLANS

OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM (OPERS)

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%.
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.5% to 10%
- The Municipal Bond Rate changed from 3.31% to 3.71%

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%.
- Change in health care cost trend rate from 10.0% to 10.5%
- The Municipal Bond Rate changed from 3.71% to 2.75%

***Notes to the Required Supplementary Information
For the Year Ended December 31, 2020***

NET OPEB LIABILITY - COST SHARING PLANS (Continued)

OHIO POLICE AND FIRE (OP&F) PENSION FUND

Changes in benefit terms:

2018: There were no changes in benefit terms.

2019: The retiree health care model and the current self-insured health care plan were replaced with a stipend-based health care model.

2020: There were no changes in benefit terms.

Changes in assumptions:

2018: The single discount rate changed from 3.79% to 3.24%.

2019: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.24% to 4.66%.

2020: The following were the most significant changes of assumptions that affected the total OPEB liability since the prior measurement date:

- The single discount rate changed from 4.66% to 3.56%.

TOTAL OPEB LIABILITY – SINGLE EMPLOYER PLAN

RETIREE LIFE INSURANCE PLAN

Changes in benefit terms: There were no changes in benefit terms for the periods 2018-2020.

Changes in assumptions:

2018: The single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 disabled retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.

*COMBINING AND INDIVIDUAL FUND
STATEMENTS AND SCHEDULES*

*THE FOLLOWING COMBINING STATEMENTS AND SCHEDULES INCLUDE
THE MAJOR AND NONMAJOR GOVERNMENTAL FUNDS, INTERNAL
SERVICE FUNDS AND FIDUCIARY FUNDS.*

Special Revenue Funds

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than amounts relating to trusts, debt service, or major capital projects) that are legally restricted or committed to expenditures for specified purposes.

One Renaissance Center Fund

To account for revenues and expenditures related to the City-owned office tower known as One Renaissance Center. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Unclaimed Monies Fund

To account for the receipt of monies unable to be returned or distributed. The City will hold the receipts for the statutory period and then the monies will be disbursed to the State of Ohio.(The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the General Fund on a GAAP basis.)

Convention and Visitor's Bureau Fund

To account for the Hotel/Motel tax levied on guests of the City where 50% of such tax monies are distributed to the Convention and Visitor's Bureau and 50% is distributed to the City.(The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Central Business Special Improvement District Fund

To account for the receiving and disbursing of special assessments levied upon real property within the Hamilton Central Business Special Improvement District.(This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Fire Insurance Deposit Escrow Fund

To account for deposits and reimbursements held for fire damage as prescribed by Ohio Revised Code.(This fund is not part of the City's appropriated budget, therefore no budgetary schedule is presented.)

Municipal Court Improvement Fund

To account for an extra five dollar fee charged by the municipal court on all cases. The money received from this fee is restricted for computerization projects within the municipal court.

Public Safety/Health Income Tax Fund

To account for revenue from 0.25% of the City's income tax restricted to expenditures for health and public safety.

Coronavirus Relief Fund

This fund is used to account for Coronavirus Relief funds received through passage of the CARES Act. These funds can be used for necessary expenditures incurred due to the Covid-19 public health emergency.

(Continued)

Special Revenue Funds (Continued)

Dispute Resolution Proceeds Fund

To account for the collection of certain fees imposed by Municipal Court. These are restricted to dispute resolution.

Safety Services Fund

To account for all monies restricted for public safety services including crime prevention, youth intervention, drug education and helmet and seatbelt safety.

Police Pension Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for police disability and pension.

Police Levy Fund

To account for monies from the one-mill levy to provide additional police personnel, motor vehicles and equipment of the police division.

Firemen's Pension Fund

To accumulate property taxes levied for the partial payment of the current and accrued liability for fire disability and pension.

Fire EMS Levy Fund

To account for monies from the one-mill levy to provide and maintain an additional front line paramedic unit with the fire division.

Stormwater Management Fund

To account for the planning, construction, operation and maintenance of storm water devices.

Refuse Fund

To account for revenues collected to help fund the refuse collection activity of the City. Revenue collected is committed to defray the cost of refuse collection.

Street Maintenance Fund

To account for state levied and controlled gasoline tax and motor vehicle license fees restricted for local street construction, maintenance and repair.

Motor Vehicle License Tax Fund

To account for county-levied motor vehicle registration fees designated for street construction, maintenance and repairs. (The Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances are not presented because this fund is reported as part of the Street Maintenance Fund on a GAAP basis.)

Land Reutilization Fund

To account for State grants from the Moving Ohio Forward program to be used for demolition of vacant, abandoned and blighted properties in the City.

(Continued)

Special Revenue Funds (Continued)

Home Program Fund

To account for federal grants restricted for improvement of the community's housing stock.

Parking Fund

To account for revenues and expenditures associated with the operation of City-owned parking facilities.

Golf Course Fund

To account for revenues and expenditures associated with the operation of two City-owned golf courses.

Community Development Block Grant Fund

To account for federal grants restricted for community and environmental improvements.

Debt Service Funds

The Debt Service Funds are used to account for retirement of the County's general obligation bonds, special assessment bonds and loans other than those financed by proprietary funds.

Debt Service Fund

To account for the accumulation of resources for the payments of general obligation debt of the City including self-supporting obligations not otherwise paid from proprietary funds.

Capital Projects Funds

The Capital Projects Funds are used to account for the financial resources to be used for the acquisition or construction of major capital facilities, other than those financed by proprietary or trust funds.

Special Assessment Fund

To account for revenues and expenditures associated with the levy of special assessments on citizen's property.

Municipal Improvement Tax Increment Equivalent (MITIE) Fund

To account for monies deposited as service payments in lieu of taxes distributed by the County Treasurer for improvements exempt from taxation and for their related costs. To account for the deposit of any income tax revenue that has been dedicated to finance the aforementioned improvements.

(Continued)

Capital Projects Funds (Continued)

Governmental Building Sale Proceeds Fund

To account for proceeds from the sale of the Hamilton Government Building. A portion of the proceeds were used for infrastructure improvements, and a portion was loaned to developers of the Spooky Nook project.

Issue II Projects Fund

To account for road and bridge construction projects, partially funded by state grants from the Ohio Public Works Commission, pursuant to Auditor of State specifications. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Infrastructure Program Fund

To account for the purpose of improving the City's infrastructure with proceeds from the issuance of gasoline tax revenue general obligation bonds and transfers from other funds.

Permanent Fund

The Permanent Fund is used to account for the financial resources that are legally restricted in that only the earnings, not *the* principal, may be used to support the City's programs.

Benninghofen Trust Fund

To account for the investment revenues received and uses of the monies from a charitable bequest made to the City for use with the poor by the Benninghofen Family. The bequest cannot be used for any purpose other than generating investment income.

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds
Assets:			
Equity in Pooled Cash and Investments	\$ 7,795,774	\$ 1,686,293	\$ 2,715,977
Receivables:			
Taxes	3,727,778	0	1,491,811
Accounts	1,063,901	0	0
Intergovernmental	2,032,346	0	0
Interest	2,458	0	0
Special Assessments	47,493	0	376,822
Loans	86,074	0	3,500,000
Inventory of Supplies, at Cost	47,067	0	0
Prepaid Items	40,461	0	0
Total Assets	\$ 14,843,352	\$ 1,686,293	\$ 8,084,610
Liabilities:			
Accounts Payable	\$ 1,157,573	\$ 0	\$ 176,077
Accrued Wages and Benefits Payable	92,559	0	0
Intergovernmental Payable	92,320	0	0
Accrued Liabilities	55,222	0	0
Customer Deposits	2,680	0	0
Due to Other Funds	10,552	0	0
Interfund Payable	0	0	1,239,900
Total Liabilities	1,410,906	0	1,415,977
Deferred Inflows of Resources:			
Unavailable Amounts	2,385,524	0	648,035
Property Tax Levy for Next Fiscal Year	2,411,656	0	1,220,598
Total Deferred Inflows of Resources	4,797,180	0	1,868,633
Fund Balance:			
Nonspendable	87,528	0	0
Restricted	6,040,117	0	544,874
Committed	2,507,621	0	0
Assigned	0	1,686,293	5,318,275
Unassigned	0	0	(1,063,149)
Total Fund Balance	8,635,266	1,686,293	4,800,000
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 14,843,352	\$ 1,686,293	\$ 8,084,610

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Governmental Funds
December 31, 2020**

	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Assets:		
Equity in Pooled Cash and Investments	\$ 75,116	\$ 12,273,160
Receivables:		
Taxes	0	5,219,589
Accounts	0	1,063,901
Intergovernmental	0	2,032,346
Interest	0	2,458
Special Assessments	0	424,315
Loans	0	3,586,074
Inventory of Supplies, at Cost	0	47,067
Prepaid Items	0	40,461
Total Assets	\$ 75,116	\$ 24,689,371
Liabilities:		
Accounts Payable	\$ 117	\$ 1,333,767
Accrued Wages and Benefits Payable	0	92,559
Intergovernmental Payable	0	92,320
Accrued Liabilities	0	55,222
Customer Deposits	0	2,680
Due to Other Funds	0	10,552
Interfund Payable	0	1,239,900
Total Liabilities	117	2,827,000
Deferred Inflows of Resources:		
Unavailable Amounts	0	3,033,559
Property Tax Levy for Next Fiscal Year	0	3,632,254
Total Deferred Inflows of Resources	0	6,665,813
Fund Balance:		
Nonspendable	74,999	162,527
Restricted	0	6,584,991
Committed	0	2,507,621
Assigned	0	7,004,568
Unassigned	0	(1,063,149)
Total Fund Balance	74,999	15,196,558
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 75,116	\$ 24,689,371

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020***

	Nonmajor Special Revenue Funds	Nonmajor Debt Service Fund	Nonmajor Capital Projects Funds
Revenues:			
Income Taxes	\$ 3,770,238	\$ 0	\$ 0
Property and Other Local Taxes	2,503,920	0	1,220,596
Intergovernmental Revenues	8,580,550	0	2,939,187
Charges for Services	8,345,891	0	0
Licenses and Permits	608,265	0	0
Investment Earnings	58,002	0	1,129
Special Assessments	188,169	0	731,912
Fines and Forfeitures	278,886	0	0
All Other Revenue	496,344	0	0
Total Revenues	<u>24,830,265</u>	<u>0</u>	<u>4,892,824</u>
Expenditures:			
Current:			
General Government	702,241	0	0
Security of Persons and Property	8,560,807	0	0
Leisure Time Activities	569,668	0	0
Community Environment	1,247,112	0	0
Basic Utility Services	9,000,309	0	0
Transportation	3,066,211	0	0
Public Health and Welfare Services	1,057,619	0	0
Capital Outlay	0	0	15,868,796
Debt Service:			
Principal Retirement	203,861	5,322,546	0
Interest and Fiscal Charges	165,011	955,391	0
Total Expenditures	<u>24,572,839</u>	<u>6,277,937</u>	<u>15,868,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	257,426	(6,277,937)	(10,975,972)
Other Financing Sources (Uses):			
Sale of Capital Assets	10,143	0	0
OWDA Loans Issued	803,232	0	0
Premium on Bonds Issued	30,568	0	0
Refunding Bonds Issued	344,825	0	0
Refunded Bonds Redeemed	(366,417)	0	0
Transfers In	341,313	7,960,361	2,819,663
Transfers Out	(1,421,720)	0	(974,305)
Total Other Financing Sources (Uses)	<u>(258,056)</u>	<u>7,960,361</u>	<u>1,845,358</u>
Net Change in Fund Balance	(630)	1,682,424	(9,130,614)
Fund Balance at Beginning of Year	8,621,990	3,869	13,930,614
Increase in Inventory	13,906	0	0
Fund Balance End of Year	<u>\$ 8,635,266</u>	<u>\$ 1,686,293</u>	<u>\$ 4,800,000</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended December 31, 2020***

	Nonmajor Permanent Fund	Total Nonmajor Governmental Funds
Revenues:		
Income Taxes	\$ 0	\$ 3,770,238
Property and Other Local Taxes	0	3,724,516
Intergovernmental Revenues	0	11,519,737
Charges for Services	0	8,345,891
Licenses and Permits	0	608,265
Investment Earnings	919	60,050
Special Assessments	0	920,081
Fines and Forfeitures	0	278,886
All Other Revenue	0	496,344
Total Revenues	919	29,724,008
Expenditures:		
Current:		
General Government	920	703,161
Security of Persons and Property	0	8,560,807
Leisure Time Activities	0	569,668
Community Environment	0	1,247,112
Basic Utility Services	0	9,000,309
Transportation	0	3,066,211
Public Health and Welfare Services	0	1,057,619
Capital Outlay	0	15,868,796
Debt Service:		
Principal Retirement	0	5,526,407
Interest and Fiscal Charges	0	1,120,402
Total Expenditures	920	46,720,492
Excess (Deficiency) of Revenues Over (Under) Expenditures	(1)	(16,996,484)
Other Financing Sources (Uses):		
Sale of Capital Assets	0	10,143
OWDA Loans Issued	0	803,232
Premium on Bonds Issued	0	30,568
Refunding Bonds Issued	0	344,825
Refunded Bonds Redeemed	0	(366,417)
Transfers In	0	11,121,337
Transfers Out	0	(2,396,025)
Total Other Financing Sources (Uses)	0	9,547,663
Net Change in Fund Balance	(1)	(7,448,821)
Fund Balance at Beginning of Year	75,000	22,631,473
Increase in Inventory	0	13,906
Fund Balance End of Year	\$ 74,999	\$ 15,196,558

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020**

	Central Business Special Improvement District	Fire Insurance Deposit Escrow	Municipal Court Improvement	Public Safety/Health Income Tax
Assets:				
Equity in Pooled Cash and Investments	\$ 0	\$ 149,378	\$ 411,614	\$ 876,798
Receivables:				
Taxes	0	0	0	780,260
Accounts	0	0	0	0
Intergovernmental	0	0	0	0
Interest	0	0	0	0
Special Assessments	47,493	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 47,493	\$ 149,378	\$ 411,614	\$ 1,657,058
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 48,078	\$ 0
Accrued Wages and Benefits Payable	0	0	0	0
Intergovernmental Payable	47,493	0	0	0
Accrued Liabilities	0	0	0	55,222
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Total Liabilities	47,493	0	48,078	55,222
Deferred Inflows of Resources:				
Unavailable Amounts	0	0	0	419,514
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	0	0	0	419,514
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	0	149,378	363,536	1,182,322
Committed	0	0	0	0
Total Fund Balance	0	149,378	363,536	1,182,322
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 47,493	\$ 149,378	\$ 411,614	\$ 1,657,058

(Continued)

CITY OF HAMILTON, OHIO

***Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020***

	Coronavirus Relief	Dispute Resolution Proceeds	Safety Services	Police Pension
Assets:				
Equity in Pooled Cash and Investments	\$ 556,315	\$ 40,546	\$ 1,240,803	\$ 160,055
Receivables:				
Taxes	0	0	860,170	258,051
Accounts	0	0	0	0
Intergovernmental	0	0	48,162	18,904
Interest	0	0	0	0
Special Assessments	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 556,315	\$ 40,546	\$ 2,149,135	\$ 437,010
Liabilities:				
Accounts Payable	\$ 196,366	\$ 0	\$ 17,837	\$ 0
Accrued Wages and Benefits Payable	0	0	5,985	0
Intergovernmental Payable	0	47	2,746	0
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Total Liabilities	196,366	47	26,568	0
Deferred Inflows of Resources:				
Unavailable Amounts	0	0	204,542	65,818
Property Tax Levy for Next Fiscal Year	0	0	703,790	211,137
Total Deferred Inflows of Resources	0	0	908,332	276,955
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	359,949	40,499	1,214,235	160,055
Committed	0	0	0	0
Total Fund Balance	359,949	40,499	1,214,235	160,055
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 556,315	\$ 40,546	\$ 2,149,135	\$ 437,010

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020**

	Police Levy	Firemen's Pension	Fire EMS Levy	Stormwater Management
Assets:				
Equity in Pooled Cash and Investments	\$ 433,122	\$ 143,486	\$ 433,124	\$ 1,009,111
Receivables:				
Taxes	785,623	258,051	785,623	0
Accounts	0	0	0	355,342
Intergovernmental	42,992	14,449	42,992	0
Interest	0	0	0	1,262
Special Assessments	0	0	0	0
Loans	0	0	0	0
Inventory of Supplies, at Cost	0	0	0	0
Prepaid Items	0	0	0	0
Total Assets	\$ 1,261,737	\$ 415,986	\$ 1,261,739	\$ 1,365,715
Liabilities:				
Accounts Payable	\$ 0	\$ 0	\$ 0	\$ 255,734
Accrued Wages and Benefits Payable	0	0	0	20,318
Intergovernmental Payable	0	0	0	9,772
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Total Liabilities	0	0	0	285,824
Deferred Inflows of Resources:				
Unavailable Amounts	185,819	61,363	185,819	0
Property Tax Levy for Next Fiscal Year	642,796	211,137	642,796	0
Total Deferred Inflows of Resources	828,615	272,500	828,615	0
Fund Balance:				
Nonspendable	0	0	0	0
Restricted	433,122	143,486	433,124	0
Committed	0	0	0	1,079,891
Total Fund Balance	433,122	143,486	433,124	1,079,891
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,261,737	\$ 415,986	\$ 1,261,739	\$ 1,365,715

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020**

	Refuse	Street Maintenance	Land Reutilization	Home Program
Assets:				
Equity in Pooled Cash and Investments	\$ 1,069,867	\$ 815,567	\$ 7,928	\$ 76,437
Receivables:				
Taxes	0	0	0	0
Accounts	639,092	13,436	0	0
Intergovernmental	0	1,459,931	198,986	11,550
Interest	0	1,012	0	0
Special Assessments	0	0	0	0
Loans	0	0	0	7,771
Inventory of Supplies, at Cost	0	47,067	0	0
Prepaid Items	5,975	18,525	0	0
Total Assets	\$ 1,714,934	\$ 2,355,538	\$ 206,914	\$ 95,758
Liabilities:				
Accounts Payable	\$ 368,493	\$ 46,111	\$ 0	\$ 11,550
Accrued Wages and Benefits Payable	21,865	33,048	0	361
Intergovernmental Payable	10,502	16,554	18	161
Accrued Liabilities	0	0	0	0
Customer Deposits	0	0	0	0
Due to Other Funds	0	0	0	0
Total Liabilities	400,860	95,713	18	12,072
Deferred Inflows of Resources:				
Unavailable Amounts	0	924,475	198,986	7,771
Property Tax Levy for Next Fiscal Year	0	0	0	0
Total Deferred Inflows of Resources	0	924,475	198,986	7,771
Fund Balance:				
Nonspendable	5,975	65,592	0	0
Restricted	0	1,269,758	7,910	75,915
Committed	1,308,099	0	0	0
Total Fund Balance	1,314,074	1,335,350	7,910	75,915
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,714,934	\$ 2,355,538	\$ 206,914	\$ 95,758

(Continued)

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Special Revenue Funds
December 31, 2020**

	Parking	Golf Course	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Assets:				
Equity in Pooled Cash and Investments	\$ 45,250	\$ 105,267	\$ 221,106	\$ 7,795,774
Receivables:				
Taxes	0	0	0	3,727,778
Accounts	53,114	2,917	0	1,063,901
Intergovernmental	0	0	194,380	2,032,346
Interest	55	129	0	2,458
Special Assessments	0	0	0	47,493
Loans	0	0	78,303	86,074
Inventory of Supplies, at Cost	0	0	0	47,067
Prepaid Items	4,148	0	11,813	40,461
Total Assets	\$ 102,567	\$ 108,313	\$ 505,602	\$ 14,843,352
Liabilities:				
Accounts Payable	\$ 8,288	\$ 10,736	\$ 194,380	\$ 1,157,573
Accrued Wages and Benefits Payable	3,729	4,675	2,578	92,559
Intergovernmental Payable	1,736	2,143	1,148	92,320
Accrued Liabilities	0	0	0	55,222
Customer Deposits	2,680	0	0	2,680
Due to Other Funds	0	0	10,552	10,552
Total Liabilities	16,433	17,554	208,658	1,410,906
Deferred Inflows of Resources:				
Unavailable Amounts	53,114	0	78,303	2,385,524
Property Tax Levy for Next Fiscal Year	0	0	0	2,411,656
Total Deferred Inflows of Resources	53,114	0	78,303	4,797,180
Fund Balance:				
Nonspendable	4,148	0	11,813	87,528
Restricted	0	0	206,828	6,040,117
Committed	28,872	90,759	0	2,507,621
Total Fund Balance	33,020	90,759	218,641	8,635,266
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 102,567	\$ 108,313	\$ 505,602	\$ 14,843,352

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Convention and Visitor's Bureau	Central Business Special Improvement District	Fire Insurance Deposit Escrow	Municipal Court Improvement
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	92,264	0	0	0
Intergovernmental Revenues	0	0	0	0
Charges for Services	0	0	0	78,353
Licenses and Permits	0	0	0	0
Investment Earnings	0	0	0	(540)
Special Assessments	0	188,169	0	0
Fines and Forfeitures	0	0	0	56,725
All Other Revenue	0	0	104,036	0
Total Revenues	92,264	188,169	104,036	134,538
Expenditures:				
Current:				
General Government	92,264	0	101,162	0
Security of Persons and Property	0	0	0	191,832
Leisure Time Activities	0	0	0	0
Community Environment	0	188,169	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	0	0
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	92,264	188,169	101,162	191,832
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	0	2,874	(57,294)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Refunded Bonds Redeemed	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	0
Net Change in Fund Balance	0	0	2,874	(57,294)
Fund Balance at Beginning of Year	0	0	146,504	420,830
Increase (Decrease) in Inventory	0	0	0	0
Fund Balance End of Year	\$ 0	\$ 0	\$ 149,378	\$ 363,536

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Public Safety/Health Income Tax	Coronavirus Relief	Dispute Resolution Proceeds	Safety Services
Revenues:				
Income Taxes	\$ 3,770,238	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	703,790
Intergovernmental Revenues	0	4,129,325	0	116,685
Charges for Services	0	0	6,741	15,602
Licenses and Permits	0	0	0	0
Investment Earnings	4,783	3,787	181	7,791
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	222,161
All Other Revenue	0	0	0	31,685
Total Revenues	3,775,021	4,133,112	6,922	1,097,714
Expenditures:				
Current:				
General Government	0	504,672	4,143	0
Security of Persons and Property	3,289,000	2,146,530	0	1,107,089
Leisure Time Activities	0	64,342	0	0
Community Environment	0	0	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	0	0
Public Health and Welfare Services	0	1,057,619	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	3,289,000	3,773,163	4,143	1,107,089
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	486,021	359,949	2,779	(9,375)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	8,536
OWDA Loans Issued	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Refunded Bonds Redeemed	0	0	0	0
Transfers In	0	0	0	80,000
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	0	0	0	88,536
Net Change in Fund Balance	486,021	359,949	2,779	79,161
Fund Balance at Beginning of Year	696,301	0	37,720	1,135,074
Increase (Decrease) in Inventory	0	0	0	0
Fund Balance End of Year	\$ 1,182,322	\$ 359,949	\$ 40,499	\$ 1,214,235

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Police Pension	Police Levy	Firemen's Pension	Fire EMS Levy
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	211,137	642,796	211,137	642,796
Intergovernmental Revenues	37,842	86,086	28,931	86,086
Charges for Services	0	0	0	0
Licenses and Permits	0	0	0	0
Investment Earnings	749	1,990	660	1,990
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	0	0	0	0
Total Revenues	<u>249,728</u>	<u>730,872</u>	<u>240,728</u>	<u>730,872</u>
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	227,974	686,327	225,728	686,327
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	0
Basic Utility Services	0	0	0	0
Transportation	0	0	0	0
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	0	0	0	0
Interest and Fiscal Charges	0	0	0	0
Total Expenditures	<u>227,974</u>	<u>686,327</u>	<u>225,728</u>	<u>686,327</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	21,754	44,545	15,000	44,545
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	0
OWDA Loans Issued	0	0	0	0
Premium on Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Refunded Bonds Redeemed	0	0	0	0
Transfers In	0	0	0	0
Transfers Out	0	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	21,754	44,545	15,000	44,545
Fund Balance at Beginning of Year	138,301	388,577	128,486	388,579
Increase (Decrease) in Inventory	0	0	0	0
Fund Balance End of Year	<u>\$ 160,055</u>	<u>\$ 433,122</u>	<u>\$ 143,486</u>	<u>\$ 433,124</u>

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Stormwater Management	Refuse	Street Maintenance	Land Reutilization
Revenues:				
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0
Property and Other Local Taxes	0	0	0	0
Intergovernmental Revenues	0	0	3,201,954	0
Charges for Services	2,966,557	4,574,034	282,384	0
Licenses and Permits	0	0	608,265	0
Investment Earnings	14,520	3,522	16,141	3
Special Assessments	0	0	0	0
Fines and Forfeitures	0	0	0	0
All Other Revenue	31,191	70,993	9,742	0
Total Revenues	3,012,268	4,648,549	4,118,486	3
Expenditures:				
Current:				
General Government	0	0	0	0
Security of Persons and Property	0	0	0	0
Leisure Time Activities	0	0	0	0
Community Environment	0	0	0	78,171
Basic Utility Services	4,016,823	4,983,486	0	0
Transportation	0	0	2,784,693	0
Public Health and Welfare Services	0	0	0	0
Debt Service:				
Principal Retirement	95,869	0	0	0
Interest and Fiscal Charges	82,294	0	0	0
Total Expenditures	4,194,986	4,983,486	2,784,693	78,171
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(1,182,718)	(334,937)	1,333,793	(78,168)
Other Financing Sources (Uses):				
Sale of Capital Assets	0	0	0	1,607
OWDA Loans Issued	803,232	0	0	0
Premium on Bonds Issued	0	0	0	0
Refunding Bonds Issued	0	0	0	0
Refunded Bonds Redeemed	0	0	0	0
Transfers In	0	0	0	65,000
Transfers Out	0	0	(1,421,720)	0
Total Other Financing Sources (Uses)	803,232	0	(1,421,720)	66,607
Net Change in Fund Balance	(379,486)	(334,937)	(87,927)	(11,561)
Fund Balance at Beginning of Year	1,459,377	1,649,011	1,406,781	19,471
Increase (Decrease) in Inventory	0	0	16,496	0
Fund Balance End of Year	\$ 1,079,891	\$ 1,314,074	\$ 1,335,350	\$ 7,910

(Continued)

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Home Program	Parking	Golf Course	Community Development Block Grant	Total Nonmajor Special Revenue Funds
Revenues:					
Income Taxes	\$ 0	\$ 0	\$ 0	\$ 0	\$ 3,770,238
Property and Other Local Taxes	0	0	0	0	2,503,920
Intergovernmental Revenues	115,878	0	0	777,763	8,580,550
Charges for Services	0	247,505	174,715	0	8,345,891
Licenses and Permits	0	0	0	0	608,265
Investment Earnings	261	591	272	1,301	58,002
Special Assessments	0	0	0	0	188,169
Fines and Forfeitures	0	0	0	0	278,886
All Other Revenue	6,191	4,761	181,509	56,236	496,344
Total Revenues	122,330	252,857	356,496	835,300	24,830,265
Expenditures:					
Current:					
General Government	0	0	0	0	702,241
Security of Persons and Property	0	0	0	0	8,560,807
Leisure Time Activities	0	0	505,326	0	569,668
Community Environment	150,833	0	0	829,939	1,247,112
Basic Utility Services	0	0	0	0	9,000,309
Transportation	0	281,518	0	0	3,066,211
Public Health and Welfare Services	0	0	0	0	1,057,619
Debt Service:					
Principal Retirement	0	100,000	7,992	0	203,861
Interest and Fiscal Charges	0	78,037	4,680	0	165,011
Total Expenditures	150,833	459,555	517,998	829,939	24,572,839
Excess (Deficiency) of Revenues Over (Under) Expenditures	(28,503)	(206,698)	(161,502)	5,361	257,426
Other Financing Sources (Uses):					
Sale of Capital Assets	0	0	0	0	10,143
OWDA Loans Issued	0	0	0	0	803,232
Premium on Bonds Issued	0	30,568	0	0	30,568
Refunding Bonds Issued	0	344,825	0	0	344,825
Refunded Bonds Redeemed	0	(366,417)	0	0	(366,417)
Transfers In	0	183,646	12,667	0	341,313
Transfers Out	0	0	0	0	(1,421,720)
Total Other Financing Sources (Uses)	0	192,622	12,667	0	(258,056)
Net Change in Fund Balance	(28,503)	(14,076)	(148,835)	5,361	(630)
Fund Balance at Beginning of Year	104,418	47,096	242,184	213,280	8,621,990
Increase (Decrease) in Inventory	0	0	(2,590)	0	13,906
Fund Balance End of Year	\$ 75,915	\$ 33,020	\$ 90,759	\$ 218,641	\$ 8,635,266

CITY OF HAMILTON, OHIO

**Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2020**

	Special Assessment	MITIE	Governmental Building Sale Proceeds
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Equity in Pooled Cash and Investments	\$ 176,751	\$ 544,874	\$ 238,040
Receivables:			
Taxes	0	1,491,811	0
Special Assessments	376,822	0	0
Loans	0	0	3,500,000
Total Assets	<u>\$ 553,573</u>	<u>\$ 2,036,685</u>	<u>\$ 3,738,040</u>
Liabilities:			
Accounts Payable	\$ 0	\$ 0	\$ 0
Interfund Payable	1,239,900	0	0
Total Liabilities	<u>1,239,900</u>	<u>0</u>	<u>0</u>
Deferred Inflows of Resources:			
Unavailable Amounts	376,822	271,213	0
Property Tax Levy for Next Fiscal Year	0	1,220,598	0
Total Deferred Inflows of Resources	<u>376,822</u>	<u>1,491,811</u>	<u>0</u>
Fund Balance:			
Restricted	0	544,874	0
Assigned	0	0	3,738,040
Unassigned	(1,063,149)	0	0
Total Fund Balance	<u>(1,063,149)</u>	<u>544,874</u>	<u>3,738,040</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 553,573</u>	<u>\$ 2,036,685</u>	<u>\$ 3,738,040</u>

CITY OF HAMILTON, OHIO

***Combining Balance Sheet
Nonmajor Capital Projects Funds
December 31, 2020***

	Infrastructure Program	Total Nonmajor Capital Projects Funds
Assets:		
Equity in Pooled Cash and Investments	\$ 1,756,312	\$ 2,715,977
Receivables:		
Taxes	0	1,491,811
Special Assessments	0	376,822
Loans	0	3,500,000
Total Assets	\$ 1,756,312	\$ 8,084,610
Liabilities:		
Accounts Payable	\$ 176,077	\$ 176,077
Interfund Payable	0	1,239,900
Total Liabilities	176,077	1,415,977
Deferred Inflows of Resources:		
Unavailable Amounts	0	648,035
Property Tax Levy for Next Fiscal Year	0	1,220,598
Total Deferred Inflows of Resources	0	1,868,633
Fund Balance:		
Restricted	0	544,874
Assigned	1,580,235	5,318,275
Unassigned	0	(1,063,149)
Total Fund Balance	1,580,235	4,800,000
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,756,312	\$ 8,084,610

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

	Special Assessment	MITIE	Governmental Building Sale Proceeds
Revenues:			
Property and Other Local Taxes	\$ 0	\$ 1,220,596	\$ 0
Intergovernmental Revenues	0	0	0
Investment Earnings	435	3,151	(9,884)
Special Assessments	731,912	0	0
Total Revenues	732,347	1,223,747	(9,884)
Expenditures:			
Capital Outlay	823,603	786,142	9,056,618
Total Expenditures	823,603	786,142	9,056,618
Excess (Deficiency) of Revenues Over (Under) Expenditures	(91,256)	437,605	(9,066,502)
Other Financing Sources (Uses):			
Transfers In	0	300,000	0
Transfers Out	(321,029)	(418,849)	0
Total Other Financing Sources (Uses)	(321,029)	(118,849)	0
Net Change in Fund Balance	(412,285)	318,756	(9,066,502)
Fund Balance at Beginning of Year	(650,864)	226,118	12,804,542
Fund Balance End of Year	\$ (1,063,149)	\$ 544,874	\$ 3,738,040

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

	Issue II Projects	Infrastructure Program	Total Nonmajor Capital Project Funds
Revenues:			
Property and Other Local Taxes	\$ 0	\$ 0	\$ 1,220,596
Intergovernmental Revenues	1,165,000	1,774,187	2,939,187
Investment Earnings	0	7,427	1,129
Special Assessments	0	0	731,912
Total Revenues	<u>1,165,000</u>	<u>1,781,614</u>	<u>4,892,824</u>
Expenditures:			
Capital Outlay	1,165,000	4,037,433	15,868,796
Total Expenditures	<u>1,165,000</u>	<u>4,037,433</u>	<u>15,868,796</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	0	(2,255,819)	(10,975,972)
Other Financing Sources (Uses):			
Transfers In	0	2,519,663	2,819,663
Transfers Out	0	(234,427)	(974,305)
Total Other Financing Sources (Uses)	<u>0</u>	<u>2,285,236</u>	<u>1,845,358</u>
Net Change in Fund Balance	0	29,417	(9,130,614)
Fund Balance at Beginning of Year	<u>0</u>	<u>1,550,818</u>	<u>13,930,614</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 1,580,235</u>	<u>\$ 4,800,000</u>

CITY OF HAMILTON, OHIO

**Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 21,520,000	\$ 21,580,382	\$ 22,801,947	\$ 1,221,565
Property and Other Local Taxes	5,425,000	5,425,000	5,321,677	(103,323)
Intergovernmental Revenues	2,466,400	3,507,433	3,183,663	(323,770)
Charges for Services	15,989,067	15,989,067	15,470,678	(518,389)
Licenses and Permits	867,070	875,070	1,515,710	640,640
Investment Earnings	177,500	177,500	463,139	285,639
Fines and Forfeitures	632,113	632,113	423,277	(208,836)
All Other Revenue	300,750	300,750	491,970	191,220
Total Revenues	47,377,900	48,487,315	49,672,061	1,184,746
Expenditures:				
Security of Persons and Property:				
Municipal Court:				
Personal Services	1,748,770	1,748,770	1,577,003	171,767
Other Expenditures	347,713	389,450	301,517	87,933
Total Municipal Court	2,096,483	2,138,220	1,878,520	259,700
Police:				
Personal Services	15,143,203	14,523,665	12,713,636	1,810,029
Other Expenditures	1,377,670	1,499,170	1,383,796	115,374
Total Police	16,520,873	16,022,835	14,097,432	1,925,403
Fire:				
Personal Services	12,286,287	13,008,822	12,421,942	586,880
Other Expenditures	1,593,440	1,523,278	1,456,556	66,722
Total Fire	13,879,727	14,532,100	13,878,498	653,602
Total Security of Persons and Property	32,497,083	32,693,155	29,854,450	2,838,705
Public Health and Welfare Services:				
Health:				
Personal Services	964,541	974,831	907,936	66,895
Other Expenditures	358,210	727,130	434,325	292,805
Total Public Health and Welfare Services	1,322,751	1,701,961	1,342,261	359,700

(Continued)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Community Environment:				
Department of Planning:				
Personal Services	961,998	976,028	869,276	106,752
Other Expenditures	343,704	246,952	211,490	35,462
Total Department of Planning	1,305,702	1,222,980	1,080,766	142,214
CDBG:				
Other Expenditures	50,000	102,000	18,861	83,139
Total CDBG	50,000	102,000	18,861	83,139
Total Community Environment	1,355,702	1,324,980	1,099,627	225,353
Basic Utility Services:				
Public Works:				
Personal Services	1,046,098	1,184,850	1,173,265	11,585
Other Expenditures	259,513	224,226	193,604	30,622
Total Basic Utility Services	1,305,611	1,409,076	1,366,869	42,207
General Government:				
City Council:				
Personal Services	65,006	77,000	76,928	72
Other Expenditures	15,880	15,700	7,525	8,175
Total City Council	80,886	92,700	84,453	8,247
City Clerk:				
Personal Services	84,021	85,019	82,657	2,362
Other Expenditures	19,294	15,140	13,078	2,062
Total City Clerk	103,315	100,159	95,735	4,424
City Manager:				
Personal Services	395,051	393,367	392,268	1,099
Other Expenditures	30,915	17,380	15,177	2,203
Total City Manager	425,966	410,747	407,445	3,302
Neighborhoods:				
Personal Services	298,731	400,415	387,688	12,727
Other Expenditures	49,500	102,849	92,932	9,917
Total Neighborhoods	348,231	503,264	480,620	22,644
Department of Law:				
Personal Services	510,535	474,895	462,496	12,399
Other Expenditures	383,772	369,013	403,172	(34,159)
Total Department of Law	894,307	843,908	865,668	(21,760)

(Continued)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund - General Fund
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Department of Civil Service:				
Personal Services	482,183	482,183	446,599	35,584
Other Expenditures	53,496	21,965	13,037	8,928
Total Department of Civil Service	<u>535,679</u>	<u>504,148</u>	<u>459,636</u>	<u>44,512</u>
Finance:				
Personal Services	1,575,694	1,550,301	1,402,118	148,183
Other Expenditures	986,310	943,705	818,473	125,232
Total Finance	<u>2,562,004</u>	<u>2,494,006</u>	<u>2,220,591</u>	<u>273,415</u>
Special Appropriations - General:				
Other Expenditures	4,314,519	5,439,348	4,834,318	605,030
Total Special Appropriations - General	<u>4,314,519</u>	<u>5,439,348</u>	<u>4,834,318</u>	<u>605,030</u>
Special Appropriations:				
Personal Services	86,700	101,950	86,967	14,983
Other Expenditures	1,095,320	1,388,791	1,152,154	236,637
Total Special Appropriations	<u>1,182,020</u>	<u>1,490,741</u>	<u>1,239,121</u>	<u>251,620</u>
Total General Government	<u>10,446,927</u>	<u>11,879,021</u>	<u>10,687,587</u>	<u>1,191,434</u>
Total Expenditures	<u>46,928,074</u>	<u>49,008,193</u>	<u>44,350,794</u>	<u>4,657,399</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	449,826	(520,878)	5,321,267	5,842,145
Other Financing Sources (Uses):				
Sale of Capital Assets	1,500	1,500	5,977	4,477
Transfers In	0	200,000	200,000	0
Transfers Out	(1,152,491)	(2,065,415)	(2,006,965)	58,450
Total Other Financing Sources (Uses)	<u>(1,150,991)</u>	<u>(1,863,915)</u>	<u>(1,800,988)</u>	<u>62,927</u>
Net Change in Fund Balance	(701,165)	(2,384,793)	3,520,279	5,905,072
Fund Balance at Beginning of Year	7,935,535	7,935,535	7,935,535	0
Prior Year Encumbrances	701,166	701,166	701,166	0
Fund Balance at End of Year	<u>\$ 7,935,536</u>	<u>\$ 6,251,908</u>	<u>\$ 12,156,980</u>	<u>\$ 5,905,072</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Special Revenue Fund – Health Department Fund
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 70	\$ 70	\$ 136	\$ 66
All Other Revenue	1,425	1,425	1,464	39
Total Revenues	1,495	1,495	1,600	105
Expenditures:				
Public Health and Welfare Services:				
Other Expenditures	510	510	0	510
Total Expenditures	510	510	0	510
Net Change in Fund Balance	985	985	1,600	615
Fund Balance at Beginning of Year	9,617	9,617	9,617	0
Fund Balance at End of Year	\$ 10,602	\$ 10,602	\$ 11,217	\$ 615

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Major Fund – Capital Projects Fund – Hamilton Capital Improvement Fund
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Income Taxes	\$ 2,773,000	\$ 2,773,220	\$ 2,944,540	\$ 171,320
Intergovernmental Revenues	560,000	560,000	155,790	(404,210)
All Other Revenue	20,000	60,000	73,770	13,770
Total Revenues	<u>3,353,000</u>	<u>3,393,220</u>	<u>3,174,100</u>	<u>(219,120)</u>
Expenditures:				
Capital Outlay	2,781,967	32,127,080	25,942,765	6,184,315
Debt Service:				
Principal Retirement	0	30,459,831	30,010,000	449,831
Interest and Fiscal Charges	0	1,198,001	1,197,999	2
Total Expenditures	<u>2,781,967</u>	<u>63,784,912</u>	<u>57,150,764</u>	<u>6,634,148</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	571,033	(60,391,692)	(53,976,664)	6,415,028
Other Financing Sources (Uses):				
Sale of Capital Assets	27,000	577,000	943,126	366,126
Bond Issuance	0	65,680,175	64,335,175	(1,345,000)
Debt Issuance Premium	0	325,515	325,515	0
Transfers In	232,491	232,491	500,000	267,509
Transfers Out	<u>(1,958,367)</u>	<u>(7,741,692)</u>	<u>(7,513,762)</u>	<u>227,930</u>
Total Other Financing Sources (Uses)	<u>(1,698,876)</u>	<u>59,073,489</u>	<u>58,590,054</u>	<u>(483,435)</u>
Net Change in Fund Balance	(1,127,843)	(1,318,203)	4,613,390	5,931,593
Fund Balance at Beginning of Year	954,670	954,670	954,670	0
Prior Year Encumbrances	<u>432,967</u>	<u>432,967</u>	<u>432,967</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 259,794</u>	<u>\$ 69,434</u>	<u>\$ 6,001,027</u>	<u>\$ 5,931,593</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

ONE RENAISSANCE CENTER FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,192,200	\$ 2,192,200	\$ 2,245,618	\$ 53,418
All Other Revenue	0	0	35,501	35,501
Total Revenues	2,192,200	2,192,200	2,281,119	88,919
Expenditures:				
General Government:				
Other Expenditures	2,861,678	2,665,490	2,347,645	317,845
Total Expenditures	2,861,678	2,665,490	2,347,645	317,845
Net Change in Fund Balance	(669,478)	(473,290)	(66,526)	406,764
Fund Balance at Beginning of Year	584,356	584,356	584,356	0
Prior Year Encumbrances	238,458	238,458	238,458	0
Fund Balance at End of Year	\$ 153,336	\$ 349,524	\$ 756,288	\$ 406,764

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

UNCLAIMED MONIES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenue	\$ 5,000	\$ 5,000	\$ 13,291	\$ 8,291
Total Revenues	5,000	5,000	13,291	8,291
Expenditures:				
General Government:				
Other Expenditures	20,000	20,000	1,575	18,425
Total Expenditures	20,000	20,000	1,575	18,425
Net Change in Fund Balance	(15,000)	(15,000)	11,716	26,716
Fund Balance at Beginning of Year	32,251	32,251	32,251	0
Fund Balance at End of Year	\$ 17,251	\$ 17,251	\$ 43,967	\$ 26,716

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 100,000	\$ 103,800	\$ 92,264	\$ (11,536)
Total Revenues	<u>100,000</u>	<u>103,800</u>	<u>92,264</u>	<u>(11,536)</u>
Expenditures:				
General Government:				
Other Expenditures	100,000	130,000	118,528	11,472
Total Expenditures	<u>100,000</u>	<u>130,000</u>	<u>118,528</u>	<u>11,472</u>
Net Change in Fund Balance	0	(26,200)	(26,264)	(64)
Fund Balance at Beginning of Year	<u>26,264</u>	<u>26,264</u>	<u>26,264</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 26,264</u>	<u>\$ 64</u>	<u>\$ 0</u>	<u>\$ (64)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

MUNICIPAL COURT IMPROVEMENT FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for Services	\$ 121,430	\$ 121,430	\$ 78,353	\$ (43,077)
Fines and Forfeitures	<u>87,200</u>	<u>87,200</u>	<u>58,572</u>	<u>(28,628)</u>
Total Revenues	<u>208,630</u>	<u>208,630</u>	<u>136,925</u>	<u>(71,705)</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	<u>308,493</u>	<u>313,375</u>	<u>158,213</u>	<u>155,162</u>
Total Expenditures	<u>308,493</u>	<u>313,375</u>	<u>158,213</u>	<u>155,162</u>
Net Change in Fund Balance	(99,863)	(104,745)	(21,288)	83,457
Fund Balance at Beginning of Year	404,240	404,240	404,240	0
Prior Year Encumbrances	<u>8,243</u>	<u>8,243</u>	<u>8,243</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 312,620</u>	<u>\$ 307,738</u>	<u>\$ 391,195</u>	<u>\$ 83,457</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

PUBLIC SAFETY/HEALTH INCOME TAX FUND				Variance with Final Budget
	Original Budget	Final Budget	Actual	Positive (Negative)
Revenues:				
Income Taxes	\$ 3,469,387	\$ 3,469,387	\$ 3,680,677	\$ 211,290
Total Revenues	<u>3,469,387</u>	<u>3,469,387</u>	<u>3,680,677</u>	<u>211,290</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	3,326,000	3,326,000	3,289,000	37,000
Total Expenditures	<u>3,326,000</u>	<u>3,326,000</u>	<u>3,289,000</u>	<u>37,000</u>
Net Change in Fund Balance	143,387	143,387	391,677	248,290
Fund Balance at Beginning of Year	<u>479,152</u>	<u>479,152</u>	<u>479,152</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 622,539</u>	<u>\$ 622,539</u>	<u>\$ 870,829</u>	<u>\$ 248,290</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

CORONAVIRUS RELIEF FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,253,762	\$ 4,129,816	\$ 4,129,325	\$ (491)
Total Revenues	<u>1,253,762</u>	<u>4,129,816</u>	<u>4,129,325</u>	<u>(491)</u>
Expenditures:				
General Government:				
Personal Services	0	1,863,858	1,863,368	490
Other Expenditures	1,253,762	2,265,958	2,265,957	1
Total Expenditures	<u>1,253,762</u>	<u>4,129,816</u>	<u>4,129,325</u>	<u>491</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

DISPUTE RESOLUTION PROCEEDS FUND

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues:				
Charges for Services	\$ 10,400	\$ 10,400	\$ 6,942	\$ (3,458)
Total Revenues	<u>10,400</u>	<u>10,400</u>	<u>6,942</u>	<u>(3,458)</u>
Expenditures:				
General Government:				
Personal Services	4,799	4,799	4,146	653
Other Expenditures	<u>1,000</u>	<u>1,000</u>	<u>0</u>	<u>1,000</u>
Total Expenditures	<u>5,799</u>	<u>5,799</u>	<u>4,146</u>	<u>1,653</u>
Net Change in Fund Balance	4,601	4,601	2,796	(1,805)
Fund Balance at Beginning of Year	<u>36,851</u>	<u>36,851</u>	<u>36,851</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 41,452</u>	<u>\$ 41,452</u>	<u>\$ 39,647</u>	<u>\$ (1,805)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

SAFETY SERVICES FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 700,000	\$ 700,000	\$ 703,790	\$ 3,790
Intergovernmental Revenues	118,572	128,659	116,685	(11,974)
Charges for Services	20,300	20,300	15,602	(4,698)
Fines and Forfeitures	239,425	239,425	223,473	(15,952)
All Other Revenue	30,500	30,500	31,685	1,185
Total Revenues	1,108,797	1,118,884	1,091,235	(27,649)
Expenditures:				
Security of Persons and Property:				
Personal Services	285,371	310,371	269,799	40,572
Other Expenditures	953,169	950,308	836,787	113,521
Total Expenditures	1,238,540	1,260,679	1,106,586	154,093
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	(129,743)	(141,795)	(15,351)	126,444
Other Financing Sources (Uses):				
Sale of Capital Assets	10,000	10,000	8,536	(1,464)
Transfers In	80,000	80,000	80,000	0
Total Other Financing Sources (Uses)	90,000	90,000	88,536	(1,464)
Net Change in Fund Balance	(39,743)	(51,795)	73,185	124,980
Fund Balance at Beginning of Year	1,118,000	1,118,000	1,118,000	0
Prior Year Encumbrances	14,762	14,762	14,762	0
Fund Balance at End of Year	\$ 1,093,019	\$ 1,080,967	\$ 1,205,947	\$ 124,980

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

POLICE PENSION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 210,000	\$ 210,000	\$ 211,137	\$ 1,137
Intergovernmental Revenues	30,000	30,000	37,842	7,842
Total Revenues	240,000	240,000	248,979	8,979
Expenditures:				
Security of Persons and Property:				
Other Expenditures	240,000	240,000	227,974	12,026
Total Expenditures	240,000	240,000	227,974	12,026
Net Change in Fund Balance	0	0	21,005	21,005
Fund Balance at Beginning of Year	137,960	137,960	137,960	0
Fund Balance at End of Year	\$ 137,960	\$ 137,960	\$ 158,965	\$ 21,005

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

POLICE LEVY FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 635,000	\$ 635,000	\$ 642,796	\$ 7,796
Intergovernmental Revenues	90,000	90,000	86,086	(3,914)
Total Revenues	725,000	725,000	728,882	3,882
Expenditures:				
Security of Persons and Property:				
Other Expenditures	725,000	725,000	686,327	38,673
Total Expenditures	725,000	725,000	686,327	38,673
Net Change in Fund Balance	0	0	42,555	42,555
Fund Balance at Beginning of Year	387,618	387,618	387,618	0
Fund Balance at End of Year	\$ 387,618	\$ 387,618	\$ 430,173	\$ 42,555

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

FIREMEN'S PENSION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Property and Other Local Taxes	\$ 210,000	\$ 210,000	\$ 211,137	\$ 1,137
Intergovernmental Revenues	30,000	30,000	28,931	(1,069)
Total Revenues	240,000	240,000	240,068	68
Expenditures:				
Security of Persons and Property:				
Other Expenditures	240,000	240,000	225,728	14,272
Total Expenditures	240,000	240,000	225,728	14,272
Net Change in Fund Balance	0	0	14,340	14,340
Fund Balance at Beginning of Year	128,169	128,169	128,169	0
Fund Balance at End of Year	\$ 128,169	\$ 128,169	\$ 142,509	\$ 14,340

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

	FIRE EMS LEVY FUND			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 635,000	\$ 635,000	\$ 642,796	\$ 7,796
Intergovernmental Revenues	90,000	90,000	86,086	(3,914)
Total Revenues	<u>725,000</u>	<u>725,000</u>	<u>728,882</u>	<u>3,882</u>
Expenditures:				
Security of Persons and Property:				
Other Expenditures	725,000	725,000	686,327	38,673
Total Expenditures	<u>725,000</u>	<u>725,000</u>	<u>686,327</u>	<u>38,673</u>
Net Change in Fund Balance	0	0	42,555	42,555
Fund Balance at Beginning of Year	<u>387,620</u>	<u>387,620</u>	<u>387,620</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 387,620</u>	<u>\$ 387,620</u>	<u>\$ 430,175</u>	<u>\$ 42,555</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

STORMWATER MANAGEMENT FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 2,950,418	\$ 2,950,418	\$ 2,925,922	\$ (24,496)
Investment Earnings	20,000	20,000	13,991	(6,009)
All Other Revenue	25,000	25,000	31,191	6,191
Total Revenues	<u>2,995,418</u>	<u>2,995,418</u>	<u>2,971,104</u>	<u>(24,314)</u>
Expenditures:				
Basic Utility Services:				
Personal Services	875,535	875,034	814,321	60,713
Other Expenditures	5,487,023	5,446,297	3,982,703	1,463,594
Debt Service:				
Principal Retirement	92,100	92,100	95,869	(3,769)
Interest and Fiscal Charges	81,500	86,063	82,294	3,769
Total Expenditures	<u>6,536,158</u>	<u>6,499,494</u>	<u>4,975,187</u>	<u>1,524,307</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,540,740)	(3,504,076)	(2,004,083)	1,499,993
Other Financing Sources (Uses):				
OWDA Loan Proceeds	0	0	791,341	791,341
Note Issuance	7,350,000	7,350,000	0	(7,350,000)
Total Other Financing Sources (Uses)	<u>7,350,000</u>	<u>7,350,000</u>	<u>791,341</u>	<u>(6,558,659)</u>
Net Change in Fund Balance	3,809,260	3,845,924	(1,212,742)	(5,058,666)
Fund Balance at Beginning of Year	709,208	709,208	709,208	0
Prior Year Encumbrances	684,439	684,439	684,439	0
Fund Balance at End of Year	<u>\$ 5,202,907</u>	<u>\$ 5,239,571</u>	<u>\$ 180,905</u>	<u>\$ (5,058,666)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

REFUSE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 4,546,847	\$ 4,546,847	\$ 4,569,886	\$ 23,039
All Other Revenue	74,000	74,000	70,993	(3,007)
Total Revenues	4,620,847	4,620,847	4,640,879	20,032
Expenditures:				
Basic Utility Services:				
Personal Services	868,303	868,303	844,895	23,408
Other Expenditures	4,382,261	4,696,378	4,668,226	28,152
Total Expenditures	5,250,564	5,564,681	5,513,121	51,560
Net Change in Fund Balance	(629,717)	(943,834)	(872,242)	71,592
Fund Balance at Beginning of Year	1,010,949	1,010,949	1,010,949	0
Prior Year Encumbrances	489,322	489,322	489,322	0
Fund Balance at End of Year	\$ 870,554	\$ 556,437	\$ 628,029	\$ 71,592

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

STREET MAINTENANCE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 3,660,000	\$ 3,660,000	\$ 3,226,919	\$ (433,081)
Charges for Services	170,000	170,000	282,384	112,384
Licenses and Permits	390,000	390,000	386,849	(3,151)
Investment Earnings	3,000	3,000	14,339	11,339
All Other Revenue	11,000	11,000	7,789	(3,211)
Total Revenues	<u>4,234,000</u>	<u>4,234,000</u>	<u>3,918,280</u>	<u>(315,720)</u>
Expenditures:				
Transportation:				
Personal Services	1,467,843	1,465,125	1,401,506	63,619
Other Expenditures	<u>1,899,826</u>	<u>1,829,724</u>	<u>1,645,217</u>	<u>184,507</u>
Total Expenditures	<u>3,367,669</u>	<u>3,294,849</u>	<u>3,046,723</u>	<u>248,126</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	866,331	939,151	871,557	(67,594)
Other Financing Sources (Uses):				
Transfers Out	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>(1,200,000)</u>	<u>0</u>
Net Change in Fund Balance	(333,669)	(260,849)	(328,443)	(67,594)
Fund Balance at Beginning of Year	701,523	701,523	701,523	0
Prior Year Encumbrances	218,362	218,362	218,362	0
Fund Balance at End of Year	<u>\$ 586,216</u>	<u>\$ 659,036</u>	<u>\$ 591,442</u>	<u>\$ (67,594)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

MOTOR VEHICLE LICENSE TAX FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Licenses and Permits	\$ 300,000	\$ 300,000	\$ 221,416	\$ (78,584)
Investment Earnings	0	0	304	304
Total Revenues	300,000	300,000	221,720	(78,280)
Expenditures:				
Total Expenditures	0	0	0	0
Excess (Deficiency) of Revenues Over (Under) Expenditures	300,000	300,000	221,720	(78,280)
Other Financing Sources (Uses):				
Transfers Out	(300,000)	(300,000)	(221,720)	78,280
Total Other Financing Sources (Uses)	(300,000)	(300,000)	(221,720)	78,280
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	\$ 0	\$ 0	\$ 0	\$ 0

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

LAND REUTILIZATION FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Community Environment:				
Personal Services	59,007	67,007	62,667	4,340
Other Expenditures	20,000	20,000	16,510	3,490
Total Expenditures	79,007	87,007	79,177	7,830
Excess (Deficiency) of Revenues Over (Under) Expenditures	(79,007)	(87,007)	(79,177)	7,830
Other Financing Sources (Uses):				
Sale of Capital Assets	5,000	5,000	1,607	(3,393)
Transfers In	65,000	65,000	65,000	0
Total Other Financing Sources (Uses)	70,000	70,000	66,607	(3,393)
Net Change in Fund Balance	(9,007)	(17,007)	(12,570)	4,437
Fund Balance at Beginning of Year	20,444	20,444	20,444	0
Fund Balance at End of Year	\$ 11,437	\$ 3,437	\$ 7,874	\$ 4,437

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

HOME PROGRAM FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Intergovernmental Revenues	\$ 1,198,726	\$ 1,620,231	\$ 188,298	\$ (1,431,933)
All Other Revenue	141,592	216,592	6,191	(210,401)
Total Revenues	1,340,318	1,836,823	194,489	(1,642,334)
Expenditures:				
Community Environment:				
Personal Services	27,351	38,107	14,210	23,897
Other Expenditures	1,393,827	1,879,577	395,789	1,483,788
Total Expenditures	1,421,178	1,917,684	409,999	1,507,685
Net Change in Fund Balance	(80,860)	(80,861)	(215,510)	(134,649)
Fund Balance at Beginning of Year	80,860	80,860	80,860	0
Prior Year Encumbrances	23,613	23,613	23,613	0
Fund Balance at End of Year	\$ 23,613	\$ 23,612	\$ (111,037)	\$ (134,649)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

PARKING FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 334,000	\$ 334,000	\$ 247,505	\$ (86,495)
Investment Earnings	3,000	3,000	711	(2,289)
All Other Revenue	4,000	4,000	4,761	761
Total Revenues	341,000	341,000	252,977	(88,023)
Expenditures:				
Transportation:				
Personal Services	150,250	150,250	143,595	6,655
Other Expenditures	265,999	255,261	208,332	46,929
Debt Service:				
Principal Retirement	100,000	465,000	465,000	0
Interest and Fiscal Charges	78,000	87,680	79,454	8,226
Total Expenditures	594,249	958,191	896,381	61,810
Excess (Deficiency) of Revenues Over (Under) Expenditures	(253,249)	(617,191)	(643,404)	(26,213)
Other Financing Sources (Uses):				
Bond Issuance	0	344,825	344,825	0
Debt Issuance Premium	0	30,568	30,568	0
Transfers In	173,700	223,700	183,646	(40,054)
Total Other Financing Sources (Uses)	173,700	599,093	559,039	(40,054)
Net Change in Fund Balance	(79,549)	(18,098)	(84,365)	(66,267)
Fund Balance at Beginning of Year	19,889	19,889	19,889	0
Prior Year Encumbrances	66,573	66,573	66,573	0
Fund Balance at End of Year	\$ 6,913	\$ 68,364	\$ 2,097	\$ (66,267)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

GOLF COURSE FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Charges for Services	\$ 1,110,000	\$ 1,110,000	\$ 166,398	\$ (943,602)
Investment Earnings	2,500	2,500	854	(1,646)
All Other Revenue	800	800	181,509	180,709
Total Revenues	1,113,300	1,113,300	348,761	(764,539)
Expenditures:				
Leisure Time Activities:				
Personal Services	513,123	513,123	242,043	271,080
Other Expenditures	645,935	637,687	272,665	365,022
Debt Service:				
Principal Retirement	7,952	7,952	7,992	(40)
Interest and Fiscal Charges	4,715	4,715	4,680	35
Total Expenditures	1,171,725	1,163,477	527,380	636,097
Excess (Deficiency) of Revenues Over (Under) Expenditures	(58,425)	(50,177)	(178,619)	(128,442)
Other Financing Sources (Uses):				
Transfers In	12,667	12,667	12,667	0
Total Other Financing Sources (Uses)	12,667	12,667	12,667	0
Net Change in Fund Balance	(45,758)	(37,510)	(165,952)	(128,442)
Fund Balance at Beginning of Year	249,516	249,516	249,516	0
Prior Year Encumbrances	9,105	9,105	9,105	0
Fund Balance at End of Year	\$ 212,863	\$ 221,111	\$ 92,669	\$ (128,442)

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Special Revenue Funds
For the Year Ended December 31, 2020***

COMMUNITY DEVELOPMENT BLOCK GRANT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 2,231,823	\$ 3,686,611	\$ 700,462	\$ (2,986,149)
Investment Earnings	0	500	342	(158)
All Other Revenue	121,503	396,503	56,236	(340,267)
Total Revenues	<u>2,353,326</u>	<u>4,083,614</u>	<u>757,040</u>	<u>(3,326,574)</u>
Expenditures:				
Community Environment:				
Personal Services	240,646	325,001	101,561	223,440
Other Expenditures	2,020,303	3,696,900	2,040,565	1,656,335
Total Expenditures	<u>2,260,949</u>	<u>4,021,901</u>	<u>2,142,126</u>	<u>1,879,775</u>
Net Change in Fund Balance	92,377	61,713	(1,385,086)	(1,446,799)
Fund Balance at Beginning of Year	49,810	49,810	49,810	0
Prior Year Encumbrances	168,251	168,251	168,251	0
Fund Balance at End of Year	<u>\$ 310,438</u>	<u>\$ 279,774</u>	<u>\$ (1,167,025)</u>	<u>\$ (1,446,799)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Debt Service Funds
For the Year Ended December 31, 2020***

DEBT SERVICE FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	(Negative)
Revenues:				
Total Revenues	\$ 0	\$ 0	\$ 0	\$ 0
Expenditures:				
Debt Service:				
Principal Retirement	2,739,230	6,739,230	5,524,646	1,214,584
Interest and Fiscal Charges	770,270	918,998	955,391	(36,393)
Total Expenditures	3,509,500	7,658,228	6,480,037	1,178,191
Excess (Deficiency) of Revenues Over (Under) Expenditures	(3,509,500)	(7,658,228)	(6,480,037)	1,178,191
Other Financing Sources (Uses):				
Note Issuance	900,000	900,000	0	(900,000)
Transfers In	2,609,500	8,327,134	8,162,461	(164,673)
Total Other Financing Sources (Uses)	3,509,500	9,227,134	8,162,461	(1,064,673)
Net Change in Fund Balance	0	1,568,906	1,682,424	113,518
Fund Balance at Beginning of Year	3,869	3,869	3,869	0
Fund Balance at End of Year	\$ 3,869	\$ 1,572,775	\$ 1,686,293	\$ 113,518

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

SPECIAL ASSESSMENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Special Assessments	\$ 500,000	\$ 500,000	\$ 731,912	\$ 231,912
Total Revenues	<u>500,000</u>	<u>500,000</u>	<u>731,912</u>	<u>231,912</u>
Expenditures:				
Capital Outlay	1,141,634	992,261	948,553	43,708
Total Expenditures	<u>1,141,634</u>	<u>992,261</u>	<u>948,553</u>	<u>43,708</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(641,634)	(492,261)	(216,641)	275,620
Other Financing Sources (Uses):				
Transfers Out	(524,000)	(524,000)	(523,129)	871
Advances In	890,000	890,000	500,000	(390,000)
Total Other Financing Sources (Uses)	<u>366,000</u>	<u>366,000</u>	<u>(23,129)</u>	<u>(389,129)</u>
Net Change in Fund Balance	(275,634)	(126,261)	(239,770)	(113,509)
Fund Balance at Beginning of Year	111,734	111,734	111,734	0
Prior Year Encumbrances	198,634	198,634	198,634	0
Fund Balance at End of Year	<u>\$ 34,734</u>	<u>\$ 184,107</u>	<u>\$ 70,598</u>	<u>\$ (113,509)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

MUNICIPAL IMPROVEMENT TAX INCREMENT EQUIVALENT FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Property and Other Local Taxes	\$ 1,124,200	\$ 1,294,459	\$ 1,220,596	\$ (73,863)
Total Revenues	<u>1,124,200</u>	<u>1,294,459</u>	<u>1,220,596</u>	<u>(73,863)</u>
Expenditures:				
Capital Outlay	746,660	846,518	786,142	60,376
Total Expenditures	<u>746,660</u>	<u>846,518</u>	<u>786,142</u>	<u>60,376</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	377,540	447,941	434,454	(13,487)
Other Financing Sources (Uses):				
Transfers In	0	300,000	300,000	0
Transfers Out	(455,040)	(525,441)	(418,849)	106,592
Total Other Financing Sources (Uses)	<u>(455,040)</u>	<u>(225,441)</u>	<u>(118,849)</u>	<u>106,592</u>
Net Change in Fund Balance	(77,500)	222,500	315,605	93,105
Fund Balance at Beginning of Year	<u>225,560</u>	<u>225,560</u>	<u>225,560</u>	<u>0</u>
Fund Balance at End of Year	<u>\$ 148,060</u>	<u>\$ 448,060</u>	<u>\$ 541,165</u>	<u>\$ 93,105</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

GOVERNMENTAL BUILDING SALE PROCEEDS FUND

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
All Other Revenue	\$ 0	\$ 10,000,000	\$ 9,998,209	\$ (1,791)
Total Revenues	0	10,000,000	9,998,209	(1,791)
Expenditures:				
Capital Outlay	4,648,399	14,645,776	14,638,786	6,990
Total Expenditures	4,648,399	14,645,776	14,638,786	6,990
Net Change in Fund Balance	(4,648,399)	(4,645,776)	(4,640,577)	5,199
Fund Balance at Beginning of Year	0	0	0	0
Prior Year Encumbrances	4,648,400	4,648,400	4,648,400	0
Fund Balance at End of Year	\$ 1	\$ 2,624	\$ 7,823	\$ 5,199

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

ISSUE II PROJECTS FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 1,100,000	\$ 1,100,000	\$ 1,100,000	\$ 0
Total Revenues	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>0</u>
Expenditures:				
Capital Outlay	1,100,000	1,100,000	1,100,000	0
Total Expenditures	<u>1,100,000</u>	<u>1,100,000</u>	<u>1,100,000</u>	<u>0</u>
Net Change in Fund Balance	0	0	0	0
Fund Balance at Beginning of Year	0	0	0	0
Fund Balance at End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Capital Projects Funds
For the Year Ended December 31, 2020***

INFRASTRUCTURE PROGRAM FUND				Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual	
Revenues:				
Intergovernmental Revenues	\$ 3,225,000	\$ 3,225,000	\$ 1,606,467	\$ (1,618,533)
Total Revenues	<u>3,225,000</u>	<u>3,225,000</u>	<u>1,606,467</u>	<u>(1,618,533)</u>
Expenditures:				
Capital Outlay	7,439,005	7,410,142	7,350,238	59,904
Total Expenditures	<u>7,439,005</u>	<u>7,410,142</u>	<u>7,350,238</u>	<u>59,904</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(4,214,005)	(4,185,142)	(5,743,771)	(1,558,629)
Other Financing Sources (Uses):				
Transfers In	2,652,540	2,662,546	2,519,663	(142,883)
Transfers Out	(236,000)	(236,000)	(234,427)	1,573
Total Other Financing Sources (Uses)	<u>2,416,540</u>	<u>2,426,546</u>	<u>2,285,236</u>	<u>(141,310)</u>
Net Change in Fund Balance	(1,797,465)	(1,758,596)	(3,458,535)	(1,699,939)
Fund Balance at Beginning of Year	1,351,652	1,351,652	1,351,652	0
Prior Year Encumbrances	478,505	478,505	478,505	0
Fund Balance at End of Year	<u>\$ 32,692</u>	<u>\$ 71,561</u>	<u>\$ (1,628,378)</u>	<u>\$ (1,699,939)</u>

CITY OF HAMILTON, OHIO

***Schedule of Revenues, Expenditures and Changes in
Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis)
Nonmajor Permanent Fund
For the Year Ended December 31, 2020***

BENNINGHOFEN TRUST FUND				
	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues:				
Investment Earnings	\$ 1,000	\$ 1,278	\$ 919	\$ (359)
Total Revenues	1,000	1,278	919	(359)
Expenditures:				
General Government:				
Other Expenditures	1,000	1,700	1,224	476
Total Expenditures	1,000	1,700	1,224	476
Net Change in Fund Balance	0	(422)	(305)	117
Fund Balance at Beginning of Year	75,421	75,421	75,421	0
Fund Balance at End of Year	\$ 75,421	\$ 74,999	\$ 75,116	\$ 117

Internal Service Funds

Internal Service Funds are used to account for financing goods or services provided by one activity to other activities of the City on a cost-reimbursement basis.

Fleet Maintenance Fund

To account for revenues and expenses associated with the maintenance of the City's motor transport equipment.

Central Services Fund

To account for revenues and expenses associated with interdepartmental charges for the costs of certain goods or services.

CITY OF HAMILTON, OHIO

**Combining Statement of Net Position
Internal Service Funds
December 31, 2020**

	Fleet Maintenance	Central Services	Total
	<u> </u>	<u> </u>	<u> </u>
Assets:			
Current Assets:			
Equity in Pooled Cash and Investments	\$ 7,010	\$ 58,226	\$ 65,236
Inventory of Supplies at Cost	19,503	0	19,503
Total Current Assets	<u>26,513</u>	<u>58,226</u>	<u>84,739</u>
Noncurrent Assets:			
Depreciable Capital Assets, Net	33,011	0	33,011
Total Assets	<u>59,524</u>	<u>58,226</u>	<u>117,750</u>
Deferred Outflows of Resources:			
Pension	138,584	680,344	818,928
OPEB	101,890	500,829	602,719
Total Deferred Outflows of Resources	<u>240,474</u>	<u>1,181,173</u>	<u>1,421,647</u>
Liabilities:			
Current Liabilities:			
Accounts Payable	184,938	369,968	554,906
Accrued Wages and Benefits	24,354	102,507	126,861
Intergovernmental Payable	10,719	49,015	59,734
Compensated Absences Payable - Current	49,587	307,078	356,665
Interfund Payable	52,320	0	52,320
Total Current Liabilities	<u>321,918</u>	<u>828,568</u>	<u>1,150,486</u>
Noncurrent Liabilities:			
Compensated Absences Payable	45,734	147,044	192,778
Net Pension Liability	897,586	4,406,485	5,304,071
Net OPEB Liability	637,703	3,130,648	3,768,351
Total Noncurrent Liabilities	<u>1,581,023</u>	<u>7,684,177</u>	<u>9,265,200</u>
Total Liabilities	<u>1,902,941</u>	<u>8,512,745</u>	<u>10,415,686</u>
Deferred Inflows of Resources:			
Pension	190,396	934,708	1,125,104
OPEB	90,792	445,723	536,515
Total Deferred Inflows of Resources	<u>281,188</u>	<u>1,380,431</u>	<u>1,661,619</u>
Net Position:			
Net Investment in Capital Assets	33,011	0	33,011
Unrestricted	(1,917,142)	(8,653,777)	(10,570,919)
Total Net Position	<u>\$ (1,884,131)</u>	<u>\$ (8,653,777)</u>	<u>\$ (10,537,908)</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Internal Service Funds
For the Year Ended December 31, 2020***

	Fleet Maintenance	Central Services	Total
Operating Revenues:			
Charges for Services	\$ 2,232,272	\$ 8,458,695	\$ 10,690,967
Other Operating Revenues	22,648	0	22,648
Total Operating Revenues	<u>2,254,920</u>	<u>8,458,695</u>	<u>10,713,615</u>
Operating Expenses:			
Personal Services	1,167,070	4,178,767	5,345,837
Contractual Services	372,116	3,282,756	3,654,872
Materials and Supplies	1,046,432	274,837	1,321,269
Depreciation	7,501	0	7,501
Other Operating Expenses	29,901	258,572	288,473
Total Operating Expenses	<u>2,623,020</u>	<u>7,994,932</u>	<u>10,617,952</u>
Operating Income (Loss)	(368,100)	463,763	95,663
Nonoperating Revenues (Expenses):			
Investment Earnings	(431)	149	(282)
Total Nonoperating Revenues (Expenses)	<u>(431)</u>	<u>149</u>	<u>(282)</u>
Change in Net Position	(368,531)	463,912	95,381
Net Position Beginning of Year	(1,515,600)	(9,117,689)	(10,633,289)
Net Position End of Year	<u>\$ (1,884,131)</u>	<u>\$ (8,653,777)</u>	<u>\$ (10,537,908)</u>

CITY OF HAMILTON, OHIO

***Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended December 31, 2020***

	Fleet Maintenance	Central Services	Total
<u>Cash Flows from Operating Activities:</u>			
Cash Received from Customers	\$2,254,920	\$8,458,695	\$10,713,615
Cash Payments for Goods and Services	(1,485,765)	(3,789,344)	(5,275,109)
Cash Payments for Employees	(984,536)	(4,759,778)	(5,744,314)
Net Cash Used by Operating Activities	<u>(215,381)</u>	<u>(90,427)</u>	<u>(305,808)</u>
<u>Cash Flows from Noncapital Financing Activities:</u>			
Advances In from Other Funds	52,320	0	52,320
Net Cash Provided by Noncapital Financing Activities	<u>52,320</u>	<u>0</u>	<u>52,320</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>			
Acquisition and Construction of Assets	(29,811)	0	(29,811)
Net Cash Used by Capital and Related Financing Activities	<u>(29,811)</u>	<u>0</u>	<u>(29,811)</u>
<u>Cash Flows from Investing Activities:</u>			
Receipts of Interest	(431)	149	(282)
Net Cash Provided (Used) by Investing Activities	<u>(431)</u>	<u>149</u>	<u>(282)</u>
Net Decrease in Cash and Cash Equivalents	(193,303)	(90,278)	(283,581)
Cash and Cash Equivalents at Beginning of Year	200,313	148,504	348,817
Cash and Cash Equivalents at End of Year	<u>\$7,010</u>	<u>\$58,226</u>	<u>\$65,236</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash</u>			
<u>Used by Operating Activities:</u>			
Operating Income (Loss)	(\$368,100)	\$463,763	\$95,663
Adjustments to Reconcile Operating Income (Loss) to			
Net Cash Used by Operating Activities			
Depreciation Expense	7,501	0	7,501
Changes in Assets, Liabilities, and Deferred Outflows/Inflows:			
Decrease in Inventory	2,378	0	2,378
Decrease in Deferred Outflows of Resources	190,599	1,371,474	1,562,073
Increase (Decrease) in Accounts Payable	(39,636)	19,705	(19,931)
Decrease in Accrued Wages and Benefits	(11,437)	(91,381)	(102,818)
Increase (Decrease) in Intergovernmental Payable	1,128	(6,743)	(5,615)
Increase (Decrease) in Compensated Absences	(1,118)	14,742	13,624
Decrease in Net Pension Liability	(313,927)	(2,796,115)	(3,110,042)
Increase (Decrease) in Net OPEB Liability	53,535	(342,305)	(288,770)
Increase in Deferred Inflows of Resources	263,696	1,276,433	1,540,129
Total Adjustments	<u>152,719</u>	<u>(554,190)</u>	<u>(401,471)</u>
Net Cash Used by Operating Activities	<u>(\$215,381)</u>	<u>(\$90,427)</u>	<u>(\$305,808)</u>

Fiduciary Funds

Fiduciary fund types are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

Custodial Funds

Rounding Up Utility Account Fund

To account for voluntary contributions from citizens and/or organizations within the City to assist elderly, needy and disabled utility customers with utility charges incurred.

Butler County Annexation Tax Fund

To account for income taxes obtained from a special annexation of property contiguous to Hamilton.

Joint Economic Development District (JEDD) Fund

To account for the receipt and disbursement of income tax revenue pursuant to The Joint Economic Development District Agreement with Indian Springs/ Fairfield Township. (The Balance Sheet is not presented because there are no assets or liabilities at year end.)

Municipal Court Fund

To account for funds that flow through the Municipal Court office.

Police Property Room Fund

To account for the receipt of items remaining in the custody of the Police Department. The City will hold the items for a certain period of time at which they will be auctioned or disposed.

Property Assessed Clean Energy Fund

To account for special assessments collected and remitted to the Hamilton Community Authority. The assessments have been levied to fund energy improvements at the Champion Mill Spooky Nook Sports Complex site. The Hamilton Community Authority has issued debt to finance the energy improvements. The debt will be retired by the assessments collected from the project site owner. (The Statement of Changes in Net Position is not presented because there were no additions or deductions during the year).

CITY OF HAMILTON, OHIO

**Combining Statement of Net Position
Custodial Funds
December 31, 2020**

	<u>Rounding Up Utility Account</u>	<u>Butler County Annexation Tax</u>	<u>Municipal Court</u>
Assets:			
Equity in Pooled Cash and Investments	\$ 2,814	\$ 28,921	\$ 98,203
Receivables:			
Special Assessments	<u>0</u>	<u>0</u>	<u>0</u>
Total Assets	<u>2,814</u>	<u>28,921</u>	<u>98,203</u>
Liabilities:			
Intergovernmental Payable	0	28,921	98,203
Due to Others	2,814	0	0
Due to HCA	<u>0</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>2,814</u>	<u>28,921</u>	<u>98,203</u>
Net Position:			
Restricted For:			
Individuals and Other Governments	<u>0</u>	<u>0</u>	<u>0</u>
Total Net Position	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>

CITY OF HAMILTON, OHIO

**Combining Statement of Net Position
Custodial Funds
December 31, 2020**

	Police Property Room	Property Assessed Clean Energy	Total Custodial Funds
Assets:			
Equity in Pooled Cash and Investments	\$ 268,599	\$ 0	\$ 398,537
Receivables:			
Special Assessments	0	33,696,646	33,696,646
Total Assets	268,599	33,696,646	34,095,183
Liabilities:			
Intergovernmental Payable	0	0	127,124
Due to Others	0	0	2,814
Due to HCA	0	33,696,646	33,696,646
Total Liabilities	0	33,696,646	33,826,584
Net Position:			
Restricted For:			
Individuals and Other Governments	268,599	0	268,599
Total Net Position	\$ 268,599	\$ 0	\$ 268,599

CITY OF HAMILTON, OHIO

**Combining Statement of Changes in Net Position
Custodial Funds
For the Year Ended December 31, 2020**

	Rounding Up Utility Account	Butler County Annexation Tax	JEDD
Additions:			
Fines and Forfeiture Collections for Other Governments	\$ 0	\$ 0	\$ 0
Contributions Received for Others	11,123	0	0
Income Tax Collections for Other Governments	0	179,441	509,087
Receipt of Seized Property Held for Others	0	0	0
Total Additions	11,123	179,441	509,087
Deductions:			
Distribution of Fines and Forfeitures to Other Governments	0	0	0
Distribution of Contributions Received for Others	11,123	0	0
Distribution of Income Taxes to Other Governments	0	179,441	509,087
Distribution of Seized Property Held for Others	0	0	0
Total Deductions	11,123	179,441	509,087
Change in Net Position	0	0	0
Net Position at Beginning of Year	0	0	0
Net Position End of Year	\$ 0	\$ 0	\$ 0

CITY OF HAMILTON, OHIO

**Combining Statement of Changes in Net Position
Custodial Funds
For the Year Ended December 31, 2020**

	Municipal Court	Police Property Room	Total Custodial Funds
Additions:			
Fines and Forfeiture Collections for Other Governments	\$ 1,745,240	\$ 0	\$ 1,745,240
Contributions Received for Others	0	0	11,123
Income Tax Collections for Other Governments	0	0	688,528
Receipt of Seized Property Held for Others	0	40,648	40,648
Total Additions	1,745,240	40,648	2,485,539
Deductions:			
Distribution of Fines and Forfeitures to Other Governments	1,745,240	0	1,745,240
Distribution of Contributions Received for Others	0	0	11,123
Distribution of Income Taxes to Other Governments	0	0	688,528
Distribution of Seized Property Held for Others	0	18,251	18,251
Total Deductions	1,745,240	18,251	2,463,142
Change in Net Position	0	22,397	22,397
Net Position at Beginning of Year	0	246,202	246,202
Net Position End of Year	\$ 0	\$ 268,599	\$ 268,599



STATISTICAL SECTION





STATISTICAL TABLES

This part of the City’s comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City’s overall financial health.

Contents

Financial Trends	S 2 – S 21
These schedules contain trend information to help the reader understand how the City’s financial position has changed over time.	
Revenue Capacity	S 22 – S 34
These schedules contain information to help the reader understand and assess the factors affecting the City’s ability to generate its most significant local revenue sources, the income tax and property tax.	
Debt Capacity	S 35 – S 47
These schedules present information to help the reader assess the affordability of the City’s current levels of outstanding debt and the City’s ability to issue additional debt in the future.	
Economic and Demographic Information	S 48 – S 51
These schedules offer economic and demographic indicators to help the reader understand the environment within which the City’s financial activities take place and to provide information that facilitates comparisons of financial information over time and among governments.	
Operating Information	S 52 – S 65
These schedules contain service and infrastructure data to help the reader understand how the information in the City’s financial report relates to the services the City provides and the activities it performs.	
Sources Note:	
Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.	

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*		*
	2011	2012	2013
Governmental Activities:			
Net Investment in Capital Assets	\$61,265,974	\$60,330,073	\$64,612,820
Restricted	12,456,507	9,033,196	9,974,060
Unrestricted (Deficit)	10,738,609	13,796,160	12,148,592
Total Governmental Activities Net Position	<u>\$84,461,090</u>	<u>\$83,159,429</u>	<u>\$86,735,472</u>
Business-type Activities:			
Net Investment in Capital Assets	\$92,584,709	\$88,211,121	\$101,543,663
Restricted	21,542,104	20,539,704	20,759,192
Unrestricted	45,878,883	53,287,953	44,971,490
Total Business-type Activities Net Position	<u>\$160,005,696</u>	<u>\$162,038,778</u>	<u>\$167,274,345</u>
Primary Government:			
Net Investment in Capital Assets	\$153,850,683	\$148,541,194	\$166,156,483
Restricted	33,998,611	29,572,900	30,733,252
Unrestricted	56,617,492	67,084,113	57,120,082
Total Primary Government Net Position	<u>\$244,466,786</u>	<u>\$245,198,207</u>	<u>\$254,009,817</u>

* Restated

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*	*	
	2014	2015	2016
Governmental Activities:			
Net Investment in Capital Assets	\$68,592,556	\$66,544,600	\$74,591,613
Restricted	6,720,442	8,178,159	6,212,366
Unrestricted (Deficit)	(25,249,747)	(28,081,791)	(34,082,733)
Total Governmental Activities Net Position	<u>\$50,063,251</u>	<u>\$46,640,968</u>	<u>\$46,721,246</u>
Business-type Activities:			
Net Investment in Capital Assets	\$107,423,550	\$100,463,100	\$196,783,938
Restricted	21,622,744	18,235,929	18,131,101
Unrestricted	24,981,821	29,658,800	62,635,431
Total Business-type Activities Net Position	<u>\$154,028,115</u>	<u>\$148,357,829</u>	<u>\$277,550,470</u>
Primary Government:			
Net Investment in Capital Assets	\$176,016,106	\$167,007,700	\$271,375,551
Restricted	28,343,186	26,414,088	24,343,467
Unrestricted	(267,926)	1,577,009	28,552,698
Total Primary Government Net Position	<u>\$204,091,366</u>	<u>\$194,998,797</u>	<u>\$324,271,716</u>

(continued)

CITY OF HAMILTON, OHIO

*Net Position by Component
Last Ten Years
(accrual basis of accounting)*

	*	*		
	2017	2018	2019	2020
Governmental Activities:				
Net Investment in Capital Assets	\$82,073,889	\$69,635,711	\$73,715,986	\$85,377,651
Restricted	7,132,718	5,676,645	9,554,467	8,747,676
Unrestricted (Deficit)	(82,974,765)	(73,211,626)	(49,812,247)	(59,169,890)
Total Governmental Activities Net Position	<u>\$6,231,842</u>	<u>\$2,100,730</u>	<u>\$33,458,206</u>	<u>\$34,955,437</u>
Business-type Activities:				
Net Investment in Capital Assets	\$196,590,931	\$191,875,521	\$192,842,977	\$191,648,643
Restricted	15,582,840	15,306,399	11,971,595	11,147,393
Unrestricted	33,762,003	29,137,499	28,861,306	25,194,953
Total Business-type Activities Net Position	<u>\$245,935,774</u>	<u>\$236,319,419</u>	<u>\$233,675,878</u>	<u>\$227,990,989</u>
Primary Government:				
Net Investment in Capital Assets	\$278,664,820	\$261,511,232	\$266,558,963	\$277,026,294
Restricted	22,715,558	20,983,044	21,526,062	19,895,069
Unrestricted	(49,212,762)	(44,074,127)	(20,950,941)	(33,974,937)
Total Primary Government Net Position	<u>\$252,167,616</u>	<u>\$238,420,149</u>	<u>\$267,134,084</u>	<u>\$262,946,426</u>

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2011	2012	2013
Expenses			
Governmental Activities:			
General Government	\$5,991,786	\$7,057,730	\$6,846,691
Security of Persons and Property	32,949,502	31,282,855	29,179,575
Leisure Time Activities	1,970,218	2,247,173	2,552,980
Community Environment	2,902,576	3,397,734	4,757,333
Basic Utility Services	6,150,598	5,809,490	5,696,920
Transportation	6,605,053	6,157,603	5,644,999
Public Health and Welfare Services	1,163,297	1,061,241	1,081,832
Interest and Fiscal Charges	1,596,931	1,439,838	973,805
<i>Total Governmental Activities Expenses</i>	<u>59,329,961</u>	<u>58,453,664</u>	<u>56,734,135</u>
Business-type Activities:			
Gas Utility	21,777,870	16,850,289	24,873,444
Electric Utility	61,257,197	60,661,556	57,515,509
Water Utility	14,968,676	14,909,166	14,605,296
Wastewater Utility	11,441,639	11,872,627	12,256,376
<i>Total Business-type Activities Expenses</i>	<u>109,445,382</u>	<u>104,293,638</u>	<u>109,250,625</u>
<i>Total Primary Government Expenses</i>	<u>\$168,775,343</u>	<u>\$162,747,302</u>	<u>\$165,984,760</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,233,683	\$3,345,900	\$3,315,895
Security of Persons and Property	3,356,743	3,678,374	2,804,466
Leisure Time Activities	741,400	1,122,766	1,200,984
Community Environment	575,603	806,118	746,272
Basic Utility Services	5,480,531	5,666,718	5,903,259
Transportation	737,819	698,865	645,653
Public Health and Welfare Services	248,189	237,768	253,046
Operating Grants and Contributions	6,122,577	6,402,940	8,740,661
Capital Grants and Contributions	2,800,483	1,138,969	1,573,747
<i>Total Governmental Activities Program Revenues</i>	<u>23,297,028</u>	<u>23,098,418</u>	<u>25,183,983</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2014	2015	2016
Expenses			
Governmental Activities:			
General Government	\$5,495,659	\$11,972,665	\$13,748,213
Security of Persons and Property	27,645,337	29,109,984	29,364,275
Leisure Time Activities	2,828,054	2,788,945	2,655,781
Community Environment	4,341,261	3,213,932	2,156,324
Basic Utility Services	6,088,052	6,779,008	5,986,601
Transportation	5,878,181	5,496,120	5,398,871
Public Health and Welfare Services	1,206,052	1,542,573	1,392,658
Interest and Fiscal Charges	992,213	1,075,144	1,136,751
<i>Total Governmental Activities Expenses</i>	<u>54,474,809</u>	<u>61,978,371</u>	<u>61,839,474</u>
Business-type Activities:			
Gas Utility	31,175,555	22,071,290	20,059,695
Electric Utility	64,245,951	65,637,974	73,482,880
Water Utility	13,741,329	14,563,899	14,948,562
Wastewater Utility	11,602,824	12,065,377	13,232,904
<i>Total Business-type Activities Expenses</i>	<u>120,765,659</u>	<u>114,338,540</u>	<u>121,724,041</u>
<i>Total Primary Government Expenses</i>	<u>\$175,240,468</u>	<u>\$176,316,911</u>	<u>\$183,563,515</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$3,252,331	\$3,183,357	\$3,666,535
Security of Persons and Property	2,963,747	3,055,722	3,195,876
Leisure Time Activities	1,284,944	1,209,724	1,098,407
Community Environment	611,630	456,883	789,256
Basic Utility Services	5,933,181	5,839,079	6,031,405
Transportation	591,655	659,797	683,059
Public Health and Welfare Services	232,987	222,113	224,444
Operating Grants and Contributions	5,925,099	5,584,899	4,469,691
Capital Grants and Contributions	1,973,789	2,880,774	3,186,797
<i>Total Governmental Activities Program Revenues</i>	<u>22,769,363</u>	<u>23,092,348</u>	<u>23,345,470</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2017	2018	2019
Expenses			
Governmental Activities:			
General Government	\$10,793,974	\$7,716,575	\$8,781,340
Security of Persons and Property	32,248,544	35,283,600	4,871,606
Leisure Time Activities	2,872,495	2,880,127	3,182,781
Community Environment	2,638,446	2,409,400	2,644,798
Basic Utility Services	6,692,126	7,500,327	8,728,161
Transportation	5,418,564	8,072,742	8,140,992
Public Health and Welfare Services	1,876,111	1,525,836	1,418,978
Interest and Fiscal Charges	1,142,343	1,383,549	2,155,256
<i>Total Governmental Activities Expenses</i>	<u>63,682,603</u>	<u>66,772,156</u>	<u>39,923,912</u>
Business-type Activities:			
Gas Utility	20,169,139	22,634,644	21,001,035
Electric Utility	85,518,469	86,543,649	84,314,775
Water Utility	16,234,311	15,631,654	16,724,324
Wastewater Utility	13,359,997	15,037,103	13,779,455
<i>Total Business-type Activities Expenses</i>	<u>135,281,916</u>	<u>139,847,050</u>	<u>135,819,589</u>
<i>Total Primary Government Expenses</i>	<u>\$198,964,519</u>	<u>\$206,619,206</u>	<u>\$175,743,501</u>
Program Revenues			
Governmental Activities:			
Charges for Services			
General Government	\$4,154,625	\$4,132,094	\$4,929,109
Security of Persons and Property	3,323,603	3,355,144	3,255,130
Leisure Time Activities	1,128,081	1,084,312	1,064,951
Community Environment	333,476	473,146	861,033
Basic Utility Services	6,451,263	6,551,126	7,098,064
Transportation	859,246	846,517	909,805
Public Health and Welfare Services	213,411	224,750	238,566
Operating Grants and Contributions	4,556,837	3,508,525	6,358,220
Capital Grants and Contributions	3,504,621	2,800,741	3,881,170
<i>Total Governmental Activities Program Revenues</i>	<u>24,525,163</u>	<u>22,976,355</u>	<u>28,596,048</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	<u>2020</u>
Expenses	
Governmental Activities:	
General Government	\$7,266,275
Security of Persons and Property	35,594,939
Leisure Time Activities	2,232,464
Community Environment	9,914,098
Basic Utility Services	9,878,398
Transportation	5,554,662
Public Health and Welfare Services	2,348,847
Interest and Fiscal Charges	2,751,191
<i>Total Governmental Activities Expenses</i>	<u>75,540,874</u>
Business-type Activities:	
Gas Utility	19,067,720
Electric Utility	83,678,299
Water Utility	16,662,378
Wastewater Utility	13,361,201
<i>Total Business-type Activities Expenses</i>	<u>132,769,598</u>
<i>Total Primary Government Expenses</i>	<u>\$208,310,472</u>
Program Revenues	
Governmental Activities:	
Charges for Services	
General Government	\$5,300,394
Security of Persons and Property	2,834,002
Leisure Time Activities	179,882
Community Environment	898,255
Basic Utility Services	7,540,591
Transportation	1,146,078
Public Health and Welfare Services	223,548
Operating Grants and Contributions	9,323,536
Capital Grants and Contributions	3,106,891
<i>Total Governmental Activities Program Revenues</i>	<u>30,553,177</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2011	2012	2013
Business-type Activities:			
Charges for Services			
Gas Utility	21,930,366	16,574,138	24,742,117
Electric Utility	63,327,834	62,172,965	60,346,033
Water Utility	14,948,140	14,749,579	14,656,538
Wastewater Utility	12,302,310	12,068,156	11,779,979
Operating Grants and Contributions	0	0	0
Capital Grants and Contributions	40,500	200,000	0
<i>Total Business-type Activities Program Revenues</i>	<u>112,549,150</u>	<u>105,764,838</u>	<u>111,524,667</u>
<i>Total Primary Government Program Revenues</i>	<u>135,846,178</u>	<u>128,863,256</u>	<u>136,708,650</u>
Net (Expense)/Revenue			
Governmental Activities	(36,032,933)	(35,355,246)	(31,550,152)
Business-type Activities	3,103,768	1,471,200	2,274,042
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$32,929,165)</u>	<u>(\$33,884,046)</u>	<u>(\$29,276,110)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$21,912,270	\$21,259,474	\$22,310,512
Property and Other Local Taxes	9,024,254	8,969,655	8,961,444
Intergovernmental, Unrestricted	10,357,132	3,112,982	3,210,419
Investment Earnings	98,396	76,967	(69,511)
Miscellaneous	964,173	913,202	751,688
Transfers	0	(278,695)	0
<i>Total Governmental Activities</i>	<u>42,356,225</u>	<u>34,053,585</u>	<u>35,164,552</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	2,086	0	0
Investment Earnings	275,171	283,187	73,168
Transfers	0	278,695	0
Special Items	0	0	2,850,000
<i>Total Business-type Activities</i>	<u>277,257</u>	<u>561,882</u>	<u>2,923,168</u>
<i>Total Primary Government</i>	<u>\$42,633,482</u>	<u>\$34,615,467</u>	<u>\$38,087,720</u>
Change in Net Position			
Governmental Activities	\$6,323,292	(\$1,301,661)	\$3,614,400
Business-type Activities	3,381,025	2,033,082	5,197,210
<i>Total Primary Government Change in Net Position</i>	<u>\$9,704,317</u>	<u>\$731,421</u>	<u>\$8,811,610</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2014	2015	2016
Business-type Activities:			
Charges for Services			
Gas Utility	29,369,479	21,979,425	19,086,678
Electric Utility	61,577,164	64,619,906	66,319,492
Water Utility	14,865,682	12,550,024	13,088,389
Wastewater Utility	12,037,408	11,821,865	12,385,219
Operating Grants and Contributions	0	0	743,247
Capital Grants and Contributions	713,516	0	0
<i>Total Business-type Activities Program Revenues</i>	<u>118,563,249</u>	<u>110,971,220</u>	<u>111,623,025</u>
<i>Total Primary Government Program Revenues</i>	<u>141,332,612</u>	<u>134,063,568</u>	<u>134,968,495</u>
Net (Expense)/Revenue			
Governmental Activities	(31,705,446)	(38,886,023)	(38,494,004)
Business-type Activities	<u>(2,202,410)</u>	<u>(3,367,320)</u>	<u>(10,101,016)</u>
<i>Total Primary Government Net (Expense)/Revenue</i>	<u><u>(\$33,907,856)</u></u>	<u><u>(\$42,253,343)</u></u>	<u><u>(\$48,595,020)</u></u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$23,354,264	\$24,852,412	\$25,970,527
Property and Other Local Taxes	8,709,596	8,959,287	8,627,124
Intergovernmental, Unrestricted	2,674,829	2,691,164	2,342,386
Investment Earnings	253,825	114,686	28,749
Miscellaneous	1,021,094	1,635,091	1,605,496
Transfers	0	(46,727)	0
<i>Total Governmental Activities</i>	<u>36,013,608</u>	<u>38,205,913</u>	<u>38,574,282</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	0	0	2,952
Investment Earnings	1,053,605	317,485	290,705
Transfers	0	46,727	0
Special Items	0	0	139,000,000
<i>Total Business-type Activities</i>	<u>1,053,605</u>	<u>364,212</u>	<u>139,293,657</u>
<i>Total Primary Government</i>	<u><u>\$37,067,213</u></u>	<u><u>\$38,570,125</u></u>	<u><u>\$177,867,939</u></u>
Change in Net Position			
Governmental Activities	\$4,308,162	(\$680,110)	\$80,278
Business-type Activities	<u>(1,148,805)</u>	<u>(3,003,108)</u>	<u>129,192,641</u>
<i>Total Primary Government Change in Net Position</i>	<u><u>\$3,159,357</u></u>	<u><u>(\$3,683,218)</u></u>	<u><u>\$129,272,919</u></u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2017	2018	2019
Business-type Activities:			
Charges for Services			
Gas Utility	18,482,683	21,756,412	21,076,426
Electric Utility	70,567,830	79,889,209	81,730,855
Water Utility	13,390,954	13,904,531	14,747,917
Wastewater Utility	12,368,579	12,653,041	13,454,526
Operating Grants and Contributions	743,577	744,842	742,114
Capital Grants and Contributions	0	0	0
<i>Total Business-type Activities Program Revenues</i>	<u>115,553,623</u>	<u>128,948,035</u>	<u>131,751,838</u>
<i>Total Primary Government Program Revenues</i>	<u>140,078,786</u>	<u>151,924,390</u>	<u>131,751,838</u>
Net (Expense)/Revenue			
Governmental Activities	(39,157,440)	(43,795,801)	(11,327,864)
Business-type Activities	(19,728,293)	(10,899,015)	(4,067,751)
<i>Total Primary Government Net (Expense)/Revenue</i>	<u>(\$58,885,733)</u>	<u>(\$54,694,816)</u>	<u>(\$15,395,615)</u>
General Revenues and Other Changes in Net Position			
Governmental Activities:			
Income Taxes	\$25,664,959	\$26,716,305	\$28,838,412
Property and Other Local Taxes	8,581,044	8,999,351	8,998,489
Intergovernmental, Unrestricted	2,206,014	2,281,996	2,742,242
Investment Earnings	196,209	314,480	773,556
Miscellaneous	1,509,998	1,198,278	1,332,641
Transfers	0	0	0
<i>Total Governmental Activities</i>	<u>38,158,224</u>	<u>39,510,410</u>	<u>42,685,340</u>
Business-type Activities:			
Other Local Taxes (kWh Tax)	0	0	0
Investment Earnings	781,792	1,282,660	1,424,210
Transfers	0	0	0
Special Items	0	0	0
<i>Total Business-type Activities</i>	<u>781,792</u>	<u>1,282,660</u>	<u>1,424,210</u>
<i>Total Primary Government</i>	<u>\$38,940,016</u>	<u>\$40,793,070</u>	<u>\$44,109,550</u>
Change in Net Position			
Governmental Activities	(\$999,216)	(\$4,285,391)	\$31,357,476
Business-type Activities	(18,946,501)	(9,616,355)	(2,643,541)
<i>Total Primary Government Change in Net Position</i>	<u>(\$19,945,717)</u>	<u>(\$13,901,746)</u>	<u>\$28,713,935</u>

(continued)

CITY OF HAMILTON, OHIO

*Changes in Net Position
Last Ten Years
(accrual basis of accounting)*

	2020
Business-type Activities:	
Charges for Services	
Gas Utility	17,849,755
Electric Utility	80,238,628
Water Utility	14,396,099
Wastewater Utility	13,109,026
Operating Grants and Contributions	85,733
Capital Grants and Contributions	0
<i>Total Business-type Activities Program Revenues</i>	125,679,241
<i>Total Primary Government Program Revenues</i>	125,679,241
Net (Expense)/Revenue	
Governmental Activities	(44,987,697)
Business-type Activities	(7,090,357)
<i>Total Primary Government Net (Expense)/Revenue</i>	(\$52,078,054)
General Revenues and Other Changes in Net Position	
Governmental Activities:	
Income Taxes	\$30,414,174
Property and Other Local Taxes	9,081,485
Intergovernmental, Unrestricted	2,543,229
Investment Earnings	723,360
Miscellaneous	3,722,680
Transfers	0
<i>Total Governmental Activities</i>	46,484,928
Business-type Activities:	
Other Local Taxes (kWh Tax)	0
Investment Earnings	1,405,468
Transfers	0
Special Items	0
<i>Total Business-type Activities</i>	1,405,468
<i>Total Primary Government</i>	\$47,890,396
Change in Net Position	
Governmental Activities	\$1,497,231
Business-type Activities	(5,684,889)
<i>Total Primary Government Change in Net Position</i>	(\$4,187,658)

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2011	2012	2013*	2014
General Fund				
Nonspendable	\$212,005	\$150,276	\$157,427	\$257,910
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	1,586,391	2,797,712	2,591,073	3,513,033
Unassigned	10,108,616	7,014,183	8,272,712	7,986,708
Total General Fund	<u>11,907,012</u>	<u>9,962,171</u>	<u>11,021,212</u>	<u>11,757,651</u>
All Other Governmental Funds				
Nonspendable	\$134,858	\$120,806	\$128,399	\$173,681
Restricted	10,764,914	7,315,026	14,833,337	9,753,522
Committed	3,035,715	3,592,878	4,031,504	4,492,651
Assigned	2,659,700	3,078,130	2,240,056	3,386,345
Unassigned	(972,421)	(498,843)	(473,703)	(98,694)
Total All Other Governmental Funds	<u>15,622,766</u>	<u>13,607,997</u>	<u>20,759,593</u>	<u>17,707,505</u>
Total Governmental Funds	<u><u>\$27,529,778</u></u>	<u><u>\$23,570,168</u></u>	<u><u>\$31,780,805</u></u>	<u><u>\$29,465,156</u></u>

(continued)

Source: City Records

* Restated

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2015	2016	2017	*
	2015	2016	2017	2018
General Fund				
Nonspendable	\$273,120	\$270,135	\$241,555	\$272,307
Restricted	0	0	0	0
Committed	0	0	0	0
Assigned	2,027,119	1,598,710	2,141,318	3,735,047
Unassigned	11,602,256	7,267,975	5,504,248	12,462,795
<i>Total General Fund</i>	<u>13,902,495</u>	<u>9,136,820</u>	<u>7,887,121</u>	<u>16,470,149</u>
All Other Governmental Funds				
Nonspendable	\$169,184	\$176,403	\$167,074	\$161,087
Restricted	5,294,588	2,748,424	3,607,737	2,621,820
Committed	4,386,446	4,438,845	3,901,117	3,893,237
Assigned	843,659	103,101	5,255	490,909
Unassigned	(36,116)	(391,739)	(5,155,483)	(2,900,490)
<i>Total All Other Governmental Funds</i>	<u>10,657,761</u>	<u>7,075,034</u>	<u>2,525,700</u>	<u>4,266,563</u>
<i>Total Governmental Funds</i>	<u><u>\$24,560,256</u></u>	<u><u>\$16,211,854</u></u>	<u><u>\$10,412,821</u></u>	<u><u>\$20,736,712</u></u>

(continued)

CITY OF HAMILTON, OHIO

*Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2019</u>	<u>2020</u>
General Fund		
Nonspendable	\$228,832	\$281,476
Restricted	0	0
Committed	0	0
Assigned	3,123,241	5,734,275
Unassigned	13,689,068	19,346,447
<i>Total General Fund</i>	<u>17,041,141</u>	<u>25,362,198</u>
All Other Governmental Funds		
Nonspendable	\$135,027	\$162,527
Restricted	6,157,749	38,307,485
Committed	3,382,530	2,507,621
Assigned	14,359,229	7,004,568
Unassigned	(650,864)	(1,063,149)
<i>Total All Other Governmental Funds</i>	<u>23,383,671</u>	<u>46,919,052</u>
<i>Total Governmental Funds</i>	<u><u>\$40,424,812</u></u>	<u><u>\$72,281,250</u></u>

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2011	2012	2013	2014
Revenues:				
Taxes	\$30,848,001	\$30,240,129	\$30,392,344	\$31,793,857
Intergovernmental Revenues	19,480,722	10,997,434	13,552,982	10,403,668
Charges for Services	11,893,521	12,659,606	12,367,803	12,274,857
Licenses and Permits	857,177	981,700	935,844	1,036,845
Investment Earnings	98,396	76,967	(59,847)	253,825
Special Assessments	563,674	811,933	668,686	626,396
Fines and Forfeitures	1,066,910	1,130,278	821,866	947,713
All Other Revenue	964,173	913,202	751,688	1,021,094
Total Revenues	<u>65,772,574</u>	<u>57,811,249</u>	<u>59,431,366</u>	<u>58,358,255</u>
Expenditures:				
Current:				
General Government	5,089,992	6,121,906	6,456,639	4,599,445
Security of Persons and Property	30,807,813	30,141,708	27,840,266	26,527,614
Leisure Time Activities	1,662,185	1,973,297	2,731,042	2,406,632
Community Environment	2,754,638	3,315,185	4,639,097	4,195,166
Basic Utility Services	5,821,649	5,696,091	5,621,039	5,847,541
Transportation	3,924,752	3,762,769	3,496,658	3,761,881
Public Health and Welfare Services	1,115,975	1,035,886	1,042,523	1,144,033
Capital Outlay	6,762,309	5,461,124	6,069,186	8,688,731
Debt Service:				
Principal Retirement	2,485,000	2,695,000	2,365,000	2,405,000
Interest and Fiscal Charges	1,750,626	1,274,719	1,187,163	1,134,543
Total Expenditures	<u>62,174,939</u>	<u>61,477,685</u>	<u>61,448,613</u>	<u>60,710,586</u>
Excess (Deficiency) of Revenues Over Expenditures	3,597,635	(3,666,436)	(2,017,247)	(2,352,331)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2015	2016	2017	2018
Revenues:				
Taxes	\$33,637,684	\$34,425,266	\$34,475,333	\$35,923,106
Intergovernmental Revenues	10,354,357	10,075,259	10,152,144	8,965,068
Charges for Services	12,210,156	12,746,544	14,098,978	13,941,420
Licenses and Permits	1,018,831	1,086,953	1,110,347	1,307,990
Investment Earnings	114,686	28,749	196,209	314,480
Special Assessments	457,761	452,533	345,325	613,095
Fines and Forfeitures	944,175	1,063,974	923,483	942,788
All Other Revenue	1,635,091	1,880,496	1,509,998	1,198,278
Total Revenues	60,372,741	61,759,774	62,811,817	63,206,225
Expenditures:				
Current:				
General Government	5,203,607	10,186,194	7,066,643	5,257,017
Security of Persons and Property	26,548,711	27,434,430	28,794,336	29,505,532
Leisure Time Activities	2,427,067	2,318,248	2,536,998	2,461,376
Community Environment	3,004,125	2,162,524	2,406,167	2,283,037
Basic Utility Services	6,354,117	8,344,578	8,644,891	7,196,824
Transportation	3,161,989	4,109,609	3,226,018	3,365,740
Public Health and Welfare Services	1,455,638	1,398,872	1,679,277	1,406,363
Capital Outlay	14,304,429	11,282,845	12,560,558	10,094,186
Debt Service:				
Principal Retirement	2,559,963	3,208,002	12,215,116	2,604,211
Interest and Fiscal Charges	1,217,255	1,283,266	1,183,980	1,296,558
Total Expenditures	66,236,901	71,728,568	80,313,984	65,470,844
Excess (Deficiency) of Revenues Over Expenditures	(5,864,160)	(9,968,794)	(17,502,167)	(2,264,619)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2019</u>	<u>2020</u>
Revenues:		
Taxes	\$37,764,569	\$39,426,581
Intergovernmental Revenues	12,579,271	14,877,943
Charges for Services	14,943,430	14,404,805
Licenses and Permits	1,572,057	2,123,975
Investment Earnings	773,556	723,360
Special Assessments	753,092	920,081
Fines and Forfeitures	964,239	687,791
All Other Revenue	1,059,463	3,995,858
Total Revenues	<u>70,409,677</u>	<u>77,160,394</u>
Expenditures:		
Current:		
General Government	6,224,429	6,246,754
Security of Persons and Property	31,629,829	30,985,000
Leisure Time Activities	2,730,146	1,810,018
Community Environment	2,339,378	1,729,218
Basic Utility Services	8,087,683	9,311,833
Transportation	3,196,931	3,066,211
Public Health and Welfare Services	1,200,403	2,203,987
Capital Outlay	10,610,750	17,843,220
Debt Service:		
Principal Retirement	11,966,907	5,991,407
Interest and Fiscal Charges	1,648,529	2,396,199
Total Expenditures	<u>79,634,985</u>	<u>81,583,847</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,225,308)	(4,423,453)

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2011	2012	2013	2014
Other Financing Sources (Uses):				
Sale of Capital Assets	49,451	418	115,852	29,359
Capital Lease Issuance	0	0	0	0
Ohio Water Development Authority Loans	0	0	0	0
Loan Issuance	0	0	9,500,000	0
Bonds and Notes Issued	2,535,000	0	0	0
Premium on Debt Issuance	1,709,955	0	0	0
Discount on Debt Issuance	0	0	0	0
Refunding Bonds Issued	18,360,000	0	0	0
Refunded Bonds Redeemed	(19,621,590)	0	0	0
Long Term Note Issuance	0	0	0	0
Transfers In	4,214,964	8,844,112	7,500,414	11,699,277
Transfers Out	(4,214,964)	(9,122,807)	(7,500,414)	(11,699,277)
Total Other Financing Sources (Uses)	<u>3,032,816</u>	<u>(278,277)</u>	<u>9,615,852</u>	<u>29,359</u>
Net Change in Fund Balance	<u>\$6,630,451</u>	<u>(\$3,944,713)</u>	<u>\$7,598,605</u>	<u>(\$2,322,972)</u>
Debt Service as a Percentage of Noncapital Expenditures	7.22%	6.91%	6.30%	6.59%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	2015	2016	2017	2018
Other Financing Sources (Uses):				
Sale of Capital Assets	65,721	15,336	22,411	750,708
Capital Lease Issuance	0	0	0	0
Ohio Water Development Authority Loans	0	1,592,766	0	0
Loan Issuance	700,000	0	1,427,128	266,705
Bonds and Notes Issued	0	0	1,196,214	11,470,000
Premium on Debt Issuance	0	0	0	242
Discount on Debt Issuance	0	0	0	(54,429)
Refunding Bonds Issued	0	0	23,141,416	0
Refunded Bonds Redeemed	0	0	(14,087,879)	0
Long Term Note Issuance	0	0	0	0
Transfers In	10,725,880	10,319,607	6,973,964	14,002,163
Transfers Out	(10,522,975)	(10,319,607)	(6,973,964)	(14,002,163)
Total Other Financing Sources (Uses)	<u>968,626</u>	<u>1,608,102</u>	<u>11,699,290</u>	<u>12,433,226</u>
Net Change in Fund Balance	<u>(\$4,895,534)</u>	<u>(\$8,360,692)</u>	<u>(\$5,802,877)</u>	<u>\$10,168,607</u>
 Debt Service as a Percentage of Noncapital Expenditures	 6.78%	 7.50%	 19.58%	 6.60%

(continued)

CITY OF HAMILTON, OHIO

*Changes in Fund Balances, Governmental Funds
Last Ten Years
(modified accrual basis of accounting)*

	<u>2019</u>	<u>2020</u>
Other Financing Sources (Uses):		
Sale of Capital Assets	81,958	959,246
Capital Lease Issuance	24,860,000	0
Ohio Water Development Authority Loans	0	803,232
Loan Issuance	92,286	0
Bonds and Notes Issued	0	33,030,000
Premium on Debt Issuance	0	356,083
Discount on Debt Issuance	0	0
Refunding Bonds Issued	0	31,650,000
Refunded Bonds Redeemed	0	(30,538,765)
Long Term Note Issuance	3,893,340	0
Transfers In	7,534,399	12,010,540
Transfers Out	(7,534,399)	(12,010,540)
Total Other Financing Sources (Uses)	<u>28,927,584</u>	<u>36,259,796</u>
Net Change in Fund Balance	<u>\$19,702,276</u>	<u>\$31,836,343</u>
Debt Service as a Percentage of Noncapital Expenditures	18.76%	11.43%

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Real Property				
Assessed	\$889,863,130	\$822,899,950	\$805,839,810	\$753,521,500
Actual	2,542,466,086	2,351,142,714	2,302,399,457	2,152,918,571
Public Utility				
Assessed	5,891,190	5,798,610	4,726,410	4,763,000
Actual	5,891,190	5,798,610	4,726,410	4,763,000
Total				
Assessed	895,754,320	828,698,560	810,566,220	758,284,500
Actual	2,548,357,276	2,356,941,324	2,307,125,867	2,157,681,571
Assessed Value as a Percentage of Actual Value	35.15%	35.16%	35.13%	35.14%
Total Direct Tax Rate	\$6.81	\$6.81	\$6.81	\$6.81

Source: Butler County Auditor

(continued)

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Real Property				
Assessed	\$747,624,230	\$744,751,530	\$789,655,500	\$788,116,750
Actual	2,136,069,229	2,127,861,514	2,256,158,571	2,251,762,143
Public Utility				
Assessed	4,937,810	5,062,790	5,309,340	5,738,750
Actual	4,937,810	5,062,790	5,309,340	5,738,750
Total				
Assessed	752,562,040	749,814,320	794,964,840	793,855,500
Actual	2,141,007,039	2,132,924,304	2,261,467,911	2,257,500,893
Assessed Value as a Percentage of Actual Value	35.15%	35.15%	35.15%	35.17%
Total Direct Tax Rate	\$6.81	\$6.81	\$6.81	\$6.81

(continued)

CITY OF HAMILTON, OHIO

*Assessed Valuations and Estimated
True Values of Taxable Property
(per \$1,000 of assessed value)
Last Ten Years*

Tax Year	<u>2019</u>	<u>2020</u>
Real Property		
Assessed	\$799,255,590	\$928,920,100
Actual	2,283,587,400	2,654,057,429
Public Utility		
Assessed	5,848,920	6,520,190
Actual	5,848,920	6,520,190
Total		
Assessed	805,104,510	935,440,290
Actual	2,289,436,320	2,660,577,619
Assessed Value as a Percentage of Actual Value	35.17%	35.16%
Total Direct Tax Rate	\$6.81	\$10.71

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Taxes Levied for the Calendar Year	\$5,808,362	\$5,459,714	\$5,409,302	\$5,349,390
Collected within the Calendar Year of the Levy				
Amount	5,449,604	5,152,127	5,042,759	5,043,851
Percent of Levy	93.82%	94.37%	93.22%	94.29%
Collections in Subsequent Years (1)	236,932	262,971	231,531	258,114
Total Collections to Date				
Amount	5,686,536	5,415,098	5,274,290	5,301,965
Percent of Levy	97.90%	99.18%	97.50%	99.11%

Source: County Auditor

(1) The County does not identify delinquent tax collections by tax year.

(continued)

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Taxes Levied for the Calendar Year	\$5,091,799	\$5,060,320	\$5,046,008	\$5,268,044
Collected within the Calendar Year of the Levy				
Amount	4,837,997	4,845,600	4,847,791	5,048,100
Percent of Levy	95.02%	95.76%	96.07%	95.82%
Collections in Subsequent Years (1)	262,126	221,457	245,331	237,315
Total Collections to Date				
Amount	5,100,123	5,067,057	5,093,122	5,285,415
Percent of Levy	100.16%	100.13%	100.93%	100.33%

(continued)

CITY OF HAMILTON, OHIO

*Property Tax Levies and Collections
Last Ten Calendar Years*

Calendar Year	<u>2019</u>	<u>2020</u>
Taxes Levied for the Calendar Year	\$5,263,202	\$5,337,176
Collected within the Calendar Year of the Levy		
Amount	5,087,861	5,111,567
Percent of Levy	96.67%	95.77%
Collections in Subsequent Years (1)	253,409	199,998
Total Collections to Date		
Amount	5,341,270	5,311,565
Percent of Levy	101.48%	99.52%

CITY OF HAMILTON, OHIO

*Direct and Overlapping
Property Tax Rates
Last Ten Calendar Years*

	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
Direct Rates					
General Fund	4.21	4.21	4.21	4.21	4.21
Police Pension Fund	0.30	0.30	0.30	0.30	0.30
Fire Pension Fund	0.30	0.30	0.30	0.30	0.30
Police / Fire-EMS Levies	2.00	2.00	2.00	2.00	2.00
Street Levy	0.00	0.00	0.00	0.00	0.00
Total Direct Rate	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>
Overlapping Rates					
Hamilton City School District	53.42	53.42	53.61	55.61	54.81
Butler County	9.75	9.72	9.72	9.72	9.72

Source: County Auditor

Note: Rates may only be raised by obtaining the approval of a majority of the voters at a public election.

(continued)

CITY OF HAMILTON, OHIO

*Direct and Overlapping
Property Tax Rates
Last Ten Calendar Years*

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Direct Rates					
General Fund	4.21	4.21	4.21	4.21	4.21
Police Pension Fund	0.30	0.30	0.30	0.30	0.30
Fire Pension Fund	0.30	0.30	0.30	0.30	0.30
Police / Fire-EMS Levies	2.00	2.00	2.00	2.00	2.00
Street Levy	0.00	0.00	0.00	0.00	3.90
Total Direct Rate	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>6.81</u>	<u>10.71</u>
Overlapping Rates					
Hamilton City School District	54.81	54.31	53.81	53.31	52.81
Butler County	9.72	9.72	9.72	9.72	9.22

CITY OF HAMILTON, OHIO

*Principal Property Tax Payers
Current Year and Nine Years Ago*

Tax Payer	Nature of Business	2020	
		Assessed Value	Percentage of Total Assessed Value
Bethesda Hospital	Healthcare	\$8,166,050	1.03%
Colonial Senior Services	Healthcare	6,455,030	0.81%
Butler County Port Authority	Government	6,227,580	0.78%
Hamilton Community Authority	Government	5,279,630	0.67%
Pedcor Investments	Investments	5,257,090	0.66%
Shadow Creek Apartments	Real Estate	4,666,710	0.59%
AHP Knollwood Crossing	Real Estate	4,377,180	0.55%
Tippmann Realty	Real Estate	4,037,460	0.51%
Duke Energy	Utility	4,002,310	0.50%
Wish Village Apartments	Real Estate	3,585,800	0.45%
	Sub-Total	52,054,840	6.55%
	All Others	883,385,450	93.45%
	Total	<u>\$935,440,290</u>	<u>100.00%</u>

Tax Payer	Nature of Business	2011	
		Assessed Value	Percentage of Total Assessed Value
Tippman Realty Partner LLC	Real Estate	\$6,321,070	0.71%
Shadow Creek Apartments LLC	Real Estate	5,126,050	0.57%
Colonial Senior Services Inc.	Healthcare	4,652,250	0.52%
AHP - Knollwood Crossings I LLC	Real Estate	4,403,310	0.49%
Pedcor Investments 2001 LXXII	Investments	4,006,940	0.45%
Hamilton Plaza LLC ETAL	Real Estate	3,444,120	0.38%
Hatteras Properties LTD	Real Estate	3,307,570	0.37%
Meijer Stores LTD PRT	Retail	3,272,510	0.37%
VCG Hamilton Crossings LLC	Real Estate	3,079,320	0.34%
Champion Crossings LLC	Real Estate	2,832,100	0.32%
	Sub-Total	40,445,240	4.52%
	All Others	855,309,080	95.48%
	Total	<u>\$895,754,320</u>	<u>100.00%</u>

Source: County Auditor

CITY OF HAMILTON, OHIO

*Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years*

	2011	2012	2013	2014
General Fund (1)	\$17,046,349	\$16,874,253	\$17,464,829	\$17,840,205
Public Safety / Health Income Tax Fund (2)	2,777,128	2,749,995	2,844,699	2,897,290
Hamilton Capital Improvement Fund (3)	2,221,702	2,199,995	2,275,758	2,317,831
Total	<u>\$22,045,179</u>	<u>\$21,824,243</u>	<u>\$22,585,286</u>	<u>\$23,055,326</u>
Income Tax Rate (4)	2.00	2.00	2.00	2.00

(continued)

Source: City Records

(1) - Equates to 1.55% of 2.00% total rate, or 77.50% of total

(2) - Equates to 0.25% of 2.00% total rate, or 12.50% of total

(3) - Equates to 0.20% of 2.00% total rate, or 10.00% of total

(4) - Effective Dates of Levy:

Note: Increases in the income tax rate requires voter approval.

CITY OF HAMILTON, OHIO

*Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years*

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
General Fund (1)	\$19,347,853	\$20,442,128	\$20,597,611	\$21,195,154
Public Safety / Health Income Tax Fund (2)	3,120,623	3,297,119	3,322,196	3,416,956
Hamilton Capital Improvement Fund (3)	2,496,498	2,637,695	2,657,757	2,733,479
Total	<u>\$24,964,974</u>	<u>\$26,376,942</u>	<u>\$26,577,564</u>	<u>\$27,345,589</u>
Income Tax Rate (4)	2.00	2.00	2.00	2.00

(continued)

CITY OF HAMILTON, OHIO

*Income Tax Collection Receipts by Fund
(Cash Basis of Accounting)
Last Ten Calendar Years*

	<u>2019</u>	<u>2020</u>
General Fund (1)	\$22,770,473	\$23,087,295
Public Safety / Health Income Tax Fund (2)	3,672,615	3,726,698
Hamilton Capital Improvement Fund (3)	2,938,092	2,981,359
Total	<u>\$29,381,180</u>	<u>\$29,795,352</u>
Income Tax Rate (4)	2.00	2.00

CITY OF HAMILTON, OHIO

*Principal Income Tax Payers
Current Year and Nine Years Ago*

Employer	Nature of Business	2020 Rank
Butler County Auditor	Government	1
Hamilton City School District	Education	2
Kettering Medical Center Network	Healthcare	3
City of Hamilton	Government	4
ThyssenKrupp Bilstein of America Inc.	Manufacturing	5
Bethesda Hospital Inc.	Healthcare	6
Alliance Physicians Inc.	Healthcare	7
Valeo Climate Control	Manufacturing	8
Miami University	Education	9
Imflux Inc	Manufacturing	10

Employer	Nature of Business	2011 Rank
Butler County	Government	1
Hamilton City School District	Education	2
Kettering Medical Center Network	Healthcare	3
Miami University	Education	4
GE Engine Services, Inc.	Manufacturing	5
Smart Papers Holdings, LLC	Manufacturing	6
Valeo Climate Control Corp.	Manufacturing	7
Krupp Bilstein of America, Inc.	Manufacturing	8
Colonial Senior Services	Healthcare	9
Kroger Ltd. Partnership	Retail	10

Note: Due to legal restrictions and confidentiality requirements, the City cannot disclose the amount of withholdings by taxpayer.

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2011	2012	2013	2014
Governmental Activities (1)				
General Obligation Bonds	\$30,426,579	\$28,115,485	\$25,701,350	\$23,258,690
Special Obligation Non-Tax Revenue Bonds	0	0	0	0
Income Tax Revenue Bonds	0	0	0	0
Special Assessment Bonds	1,400,000	1,195,000	1,060,000	920,000
OWDA Loans	0	0	0	0
Loans	0	0	9,500,000	9,500,000
Long Term Notes	0	0	0	0
Business-type Activities (1)				
Water Revenue Bonds	\$24,810,415	\$24,706,460	\$23,655,911	\$22,574,819
OWDA Loans	416,213	400,077	383,412	366,201
OPWC Loans	0	0	0	0
General Obligation Bonds	0	0	0	0
Gas Bonds	9,655,749	8,588,256	7,268,857	5,895,337
Enterprise Notes	5,900,000	10,690,000	10,690,000	10,690,000
Electric Revenue Bonds	156,835,006	153,774,110	146,129,261	137,642,002
Wastewater Bonds	59,865,579	58,384,649	56,274,683	54,084,065
Total Primary Government	\$289,309,541	\$285,854,037	\$280,663,474	\$264,931,114
Population (2)				
City of Hamilton	62,795	62,295	62,477	62,258
Outstanding Debt Per Capita	\$4,607	\$4,589	\$4,492	\$4,255
Income (3)				
Personal (in thousands) (a)	13,652,278	14,375,201	14,468,982	14,592,475
Percentage of Personal Income	2.12%	1.99%	1.94%	1.82%

Sources:

- (1) City Records
- (2) U.S. Bureau of Census, Population Division
- (3) U.S. Department of Commerce, Bureau of Economic Analysis
 - (a) Per Capita Income is only available for the County, Total Personal Income is presented for the County.

(continued)

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2015	2016	2017	2018
Governmental Activities (1)				
General Obligation Bonds	\$20,762,700	\$18,218,564	\$3,211,639	\$14,057,373
Special Obligation Non-Tax Revenue Bonds	0	0	0	0
Income Tax Revenue Bonds	0	0	22,789,549	20,915,338
Special Assessment Bonds	770,000	625,000	470,000	305,000
OWDA Loans	0	1,592,766	3,019,894	3,286,599
Loans	10,115,037	9,432,035	0	0
Long Term Notes	0	0	0	0
Business-type Activities (1)				
Water Revenue Bonds	\$28,817,338	\$28,116,322	\$21,738,885	\$30,014,128
OWDA Loans	339,322	334,401	1,243,921	1,868,038
OPWC Loans	0	3,869,759	4,967,531	7,142,237
General Obligation Bonds	0	0	0	555,000
Gas Bonds	4,467,672	4,221,385	5,770,000	6,965,000
Enterprise Notes	103,695,000	0	45,220,000	0
Electric Revenue Bonds	30,924,820	30,111,546	16,269,523	28,883,975
Wastewater Bonds	51,824,871	49,533,503	21,484,866	45,495,404
Total Primary Government	\$251,716,760	\$146,055,281	\$146,185,808	\$159,488,092
Population (2)				
City of Hamilton	62,486	62,359	62,127	62,092
Outstanding Debt Per Capita	\$4,028	\$2,342	\$2,353	\$2,569
Income (3)				
Personal (in thousands) (a)	15,294,831	15,631,343	15,680,621	16,197,532
Percentage of Personal Income	1.65%	0.93%	0.93%	0.98%

(continued)

CITY OF HAMILTON, OHIO

*Ratios of Outstanding Debt By Type
Last Ten Years*

	2019	2020
Governmental Activities (1)		
General Obligation Bonds	\$13,402,229	\$15,472,141
Special Obligation Non-Tax Revenue Bonds	0	31,900,000
Income Tax Revenue Bonds	10,265,609	9,508,411
Special Assessment Bonds	210,000	110,000
OWDA Loans	3,331,707	4,039,070
Loans	0	0
Long Term Notes	3,893,340	0
Business-type Activities (1)		
Water Revenue Bonds	\$31,262,110	\$30,218,664
OWDA Loans	2,194,157	2,099,414
OPWC Loans	8,376,372	10,092,208
General Obligation Bonds	535,000	515,000
Gas Bonds	6,380,000	5,775,000
Enterprise Notes	0	0
Electric Revenue Bonds	42,712,319	41,345,459
Wastewater Bonds	42,649,583	40,380,752
Total Primary Government	\$165,212,426	\$191,456,119
Population (2)		
City of Hamilton	62,174	62,182
Outstanding Debt Per Capita	\$2,657	\$3,079
Income (3)		
Personal (in thousands) (a)	16,229,556	18,217,377
Percentage of Personal Income	1.02%	1.05%

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2011	2012	2013	2014
Population (1)	62,795	62,295	62,477	62,258
Actual Value (in thousands) (2)	\$2,548,357	\$2,356,941	\$2,307,126	\$2,157,682
General Bonded Debt (3)				
General Obligation Bonds	\$30,426,579	\$28,115,485	\$25,701,350	\$23,258,690
Total General Bonded Debt	\$30,426,579	\$28,115,485	\$25,701,350	\$23,258,690
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$30,426,579	\$28,115,485	\$25,701,350	\$23,258,690
Ratio of Net Bonded Debt to Estimated Actual Value	1.19%	1.19%	1.11%	1.08%
Net Bonded Debt per Capita	\$484.54	\$451.33	\$411.37	\$373.59

Source:

(1) U.S. Bureau of Census of Population

(2) Butler County Auditor

(3) Includes all general obligation bonded debt supported by property taxes.

(continued)

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2015	2016	2017	2018
Population (1)	62,486	62,359	62,127	62,092
Actual Value (in thousands) (2)	\$2,141,007	\$2,132,924	\$2,261,468	\$2,257,501
General Bonded Debt (3)				
General Obligation Bonds	\$20,762,700	\$18,218,564	\$3,211,639	\$14,612,373
Total General Bonded Debt	\$20,762,700	\$18,218,564	\$3,211,639	\$14,612,373
Resources Available to Pay Principal	\$0	\$0	\$0	\$0
Net General Bonded Debt	\$20,762,700	\$18,218,564	\$3,211,639	\$14,612,373
Ratio of Net Bonded Debt to Estimated Actual Value	0.97%	0.85%	0.14%	0.65%
Net Bonded Debt per Capita	\$332.28	\$292.16	\$51.69	\$235.33

(continued)

CITY OF HAMILTON, OHIO

*Ratios of General Bonded Debt Outstanding
Last Ten Years*

Year	2019	2020
Population (1)	62,174	62,182
Actual Value (in thousands) (2)	\$2,289,436	\$2,660,578
General Bonded Debt (3)		
General Obligation Bonds	\$13,937,229	\$15,987,141
Total General Bonded Debt	\$13,937,229	\$15,987,141
Resources Available to Pay Principal	\$0	\$0
Net General Bonded Debt	\$13,937,229	\$15,987,141
Ratio of Net Bonded Debt to Estimated Actual Value	0.61%	0.60%
Net Bonded Debt per Capita	\$224.16	\$257.10

CITY OF HAMILTON, OHIO

*Computation of Direct and Overlapping
Debt Attributable to Governmental Activities
December 31, 2020*

Jurisdiction	Gross Debt Outstanding	Percentage Applicable to the City of Hamilton (1)	Amount Applicable to the City of Hamilton
Direct:			
City of Hamilton	\$61,029,622	100.00%	\$61,029,622
Overlapping:			
Butler County	20,767,870	9.56%	1,985,408
Hamilton City School District	56,145,000	96.80%	54,348,360
Talawanda City School District	26,830,000	3.39%	909,537
New Miami Local School District	350,000	1.40%	4,900
Ross Local School District	11,265,000	0.40%	45,060
Butler Technology and Career Center	7,255,000	8.09%	586,930
		Subtotal	<u>57,880,195</u>
		Total	<u><u>\$118,909,817</u></u>

(1) Percentages were determined by dividing the assessed valuation of the political subdivision located within the boundaries of the City by the total assessed valuation of the political subdivision.

Source: Ohio Auditor of State

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
<u>Total Debt</u>				
Net Assessed Valuation	\$895,754,320	\$828,698,560	\$810,566,220	\$758,284,500
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	94,054,204	87,013,349	85,109,453	79,619,873
City Debt Outstanding (2)	28,170,011	25,925,097	23,875,438	21,739,256
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>28,170,011</u>	<u>25,925,097</u>	<u>23,875,438</u>	<u>21,739,256</u>
Overall Legal Debt Margin	<u>\$65,884,193</u>	<u>\$61,088,252</u>	<u>\$61,234,015</u>	<u>\$57,880,617</u>
Debt Margin as a Percentage of Debt Limit	70.05%	70.21%	71.95%	72.70%
<u>Unvoted Debt</u>				
Net Assessed Valuation	\$895,754,320	\$828,698,560	\$810,566,220	\$758,284,500
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	49,266,488	45,578,421	44,581,142	41,705,648
City Debt Outstanding (2)	28,170,011	25,925,097	23,875,438	21,739,256
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>28,170,011</u>	<u>25,925,097</u>	<u>23,875,438</u>	<u>21,739,256</u>
Overall Legal Debt Margin	<u>\$21,096,477</u>	<u>\$19,653,324</u>	<u>\$20,705,704</u>	<u>\$19,966,392</u>

(1) Direct Debt Limitation based upon Section 133, The Uniform Bond Act of the Ohio Revised Code.

(2) City Debt Outstanding includes Non Self-Supporting General Obligation Bonds and Notes only. Enterprise Debt is not considered in the computation of the Legal Debt Margin.

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2015</u>	<u>2016</u>	<u>2017</u>
<u>Total Debt</u>			
Net Assessed Valuation	\$752,562,040	\$749,814,320	\$794,964,840
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	79,019,014	78,730,504	83,471,308
City Debt Outstanding (2)	19,720,000	17,340,000	3,185,000
Less: Applicable Debt Service Fund Amounts	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>19,720,000</u>	<u>17,340,000</u>	<u>3,185,000</u>
Overall Legal Debt Margin	<u>\$59,299,014</u>	<u>\$61,390,504</u>	<u>\$80,286,308</u>
Debt Margin as a Percentage of Debt Limit	75.04%	77.98%	96.18%
<u>Unvoted Debt</u>			
Net Assessed Valuation	\$752,562,040	\$749,814,320	\$794,964,840
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	41,390,912	41,239,788	43,723,066
City Debt Outstanding (2)	19,720,000	17,340,000	3,185,000
Less: Applicable Debt Service Fund Amounts	0	0	0
Net Indebtedness Subject to Limitation (2)	<u>19,720,000</u>	<u>17,340,000</u>	<u>3,185,000</u>
Overall Legal Debt Margin	<u>\$21,670,912</u>	<u>\$23,899,788</u>	<u>\$40,538,066</u>

(continued)

CITY OF HAMILTON, OHIO

*Debt Limitations
Last Ten Years*

Tax Year	<u>2018</u>	<u>2019</u>	<u>2020</u>
<u>Total Debt</u>			
Net Assessed Valuation	\$793,855,500	\$805,104,510	\$935,440,290
Legal Debt Limitation (%) (1)	10.50%	10.50%	10.50%
Legal Debt Limitation (\$) (1)	83,354,828	84,535,974	98,221,230
City Debt Outstanding (2)	14,090,000	13,440,000	15,165,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>14,090,000</u>	<u>13,440,000</u>	<u>15,165,000</u>
Overall Legal Debt Margin	<u>\$69,264,828</u>	<u>\$71,095,974</u>	<u>\$83,056,230</u>
Debt Margin as a Percentage of Debt Limit	83.10%	84.10%	84.56%
<u>Unvoted Debt</u>			
Net Assessed Valuation	\$793,855,500	\$805,104,510	\$935,440,290
Legal Debt Limitation (%) (1)	5.50%	5.50%	5.50%
Legal Debt Limitation (\$) (1)	43,662,053	44,280,748	51,449,216
City Debt Outstanding (2)	14,090,000	13,440,000	15,165,000
Less: Applicable Debt Service Fund Amounts	<u>0</u>	<u>0</u>	<u>0</u>
Net Indebtedness Subject to Limitation (2)	<u>14,090,000</u>	<u>13,440,000</u>	<u>15,165,000</u>
Overall Legal Debt Margin	<u>\$29,572,053</u>	<u>\$30,840,748</u>	<u>\$36,284,216</u>

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2011	2012	2013	2014
Water System Revenue Bonds				
Gross Revenues (1)	\$15,000,714	\$14,798,053	\$14,656,915	\$14,965,626
Direct Operating Expenses (2)	10,795,637	10,868,974	10,505,666	9,477,829
Net Revenue Available for Debt Service	4,205,077	3,929,079	4,151,249	5,487,797
Annual Debt Service Requirement	2,321,067	2,322,567	2,320,492	2,314,717
Coverage (3)	1.81	1.69	1.79	2.37
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$12,368,786	\$12,181,654	\$14,684,679	\$12,375,483
Direct Operating Expenses (2)	7,355,594	6,988,504	7,068,795	6,582,215
Net Revenue Available for Debt Service	5,013,192	5,193,150	7,615,884	5,793,268
Annual Debt Service Requirement	3,092,977	4,853,775	4,901,071	4,852,095
Coverage (3)	1.62	1.07	1.55	1.19
Gas System Revenue Bonds				
Gross Revenues (1)	\$21,974,462	\$16,611,781	\$24,746,065	\$29,488,952
Direct Operating Expenses (2)	19,230,178	14,435,127	22,596,575	28,900,507
Net Revenue Available for Debt Service	2,744,284	2,176,654	2,149,490	588,445
Annual Debt Service Requirement	1,674,487	1,670,737	1,669,237	1,669,738
Coverage (3)	1.64	1.30	1.29	0.35
Electric System Revenue Bonds				
Gross Revenues (1)	\$63,439,859	\$62,256,537	\$60,360,176	\$62,073,277
Direct Operating Expenses (2)	42,406,513	41,468,644	42,282,539	48,620,592
Net Revenue Available for Debt Service	21,033,346	20,787,893	18,077,637	13,452,685
Annual Debt Service Requirement	14,713,079	14,874,641	14,837,797	15,373,471
Coverage (3)	1.43	1.40	1.22	0.88
Special Assessment Bonds				
Special Assessment Collections	\$512,509	\$465,240	\$499,689	\$484,900
Debt Service				
Principal	250,000	205,000	135,000	140,000
Interest	87,383	75,698	65,498	58,523
Coverage	1.52	1.66	2.49	2.44

- (1) Gross revenues include operating revenues plus interest income.
(2) Direct operating expenses include operating expenses less depreciation.
(3) Coverage ratios based on GAAP basis figures. Under the terms of the revenue bond indentures, coverage ratios are calculated using Non-GAAP basis figures.

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2015	2016	2017	2018
Water System Revenue Bonds				
Gross Revenues (1)	\$12,602,429	\$13,130,285	\$13,483,093	\$14,070,659
Direct Operating Expenses (2)	9,364,217	10,137,417	11,317,676	10,307,917
Net Revenue Available for Debt Service	3,238,212	2,992,868	2,165,417	3,762,742
Annual Debt Service Requirement	2,316,840	2,064,721	2,064,373	1,964,902
Coverage (3)	1.40	1.45	1.05	1.91
Wastewater System Revenue Bonds				
Gross Revenues (1)	\$11,950,092	\$12,470,466	\$12,541,901	\$12,966,268
Direct Operating Expenses (2)	6,816,788	7,155,147	8,054,016	7,950,546
Net Revenue Available for Debt Service	5,133,304	5,315,319	4,487,885	5,015,722
Annual Debt Service Requirement	4,844,370	4,846,320	3,991,788	3,334,502
Coverage (3)	1.06	1.10	1.12	1.50
Gas System Revenue Bonds				
Gross Revenues (1)	\$22,013,427	\$19,117,737	\$18,531,047	\$21,879,539
Direct Operating Expenses (2)	19,446,910	17,472,300	17,472,987	20,149,213
Net Revenue Available for Debt Service	2,566,517	1,645,437	1,058,060	1,730,326
Annual Debt Service Requirement	1,670,375	432,925	184,071	653,671
Coverage (3)	1.54	3.80	5.75	2.65
Electric System Revenue Bonds				
Gross Revenues (1)	\$64,722,757	\$66,451,995	\$71,035,797	\$80,569,387
Direct Operating Expenses (2)	46,586,253	62,051,190	75,464,636	75,820,874
Net Revenue Available for Debt Service	18,136,504	4,400,805	(4,428,839)	4,748,513
Annual Debt Service Requirement	15,301,211	2,470,584	2,482,759	2,549,893
Coverage (3)	1.19	1.78	(1.78)	1.86
Special Assessment Bonds				
Special Assessment Collections	\$417,716	\$342,130	\$345,325	\$234,082
Debt Service				
Principal	150,000	145,000	155,000	165,000
Interest	51,078	43,020	35,153	22,975
Coverage	2.08	1.82	1.82	1.25

(continued)

CITY OF HAMILTON, OHIO

*Pledged Revenue Coverage
Last Ten Years*

	2019	2020
Water System Revenue Bonds		
Gross Revenues (1)	\$14,877,288	\$14,583,444
Direct Operating Expenses (2)	11,962,646	12,196,520
Net Revenue Available for Debt Service	2,914,642	2,386,924
Annual Debt Service Requirement	2,202,199	2,046,015
Coverage (3)	1.32	1.17
Wastewater System Revenue Bonds		
Gross Revenues (1)	\$13,698,367	\$13,390,424
Direct Operating Expenses (2)	8,824,466	9,376,304
Net Revenue Available for Debt Service	4,873,901	4,014,120
Annual Debt Service Requirement	3,853,762	3,448,133
Coverage (3)	1.26	1.16
Gas System Revenue Bonds		
Gross Revenues (1)	\$21,304,490	\$17,982,935
Direct Operating Expenses (2)	18,711,023	16,729,845
Net Revenue Available for Debt Service	2,593,467	1,253,090
Annual Debt Service Requirement	773,133	773,414
Coverage (3)	3.35	1.62
Electric System Revenue Bonds		
Gross Revenues (1)	\$82,553,789	\$81,042,173
Direct Operating Expenses (2)	74,502,740	75,849,959
Net Revenue Available for Debt Service	8,051,049	5,192,214
Annual Debt Service Requirement	2,457,340	2,592,672
Coverage (3)	3.28	2.00
Special Assessment Bonds		
Special Assessment Collections	\$326,617	\$308,315
Debt Service		
Principal	95,000	100,000
Interest	17,750	12,175
Coverage	2.90	2.75

CITY OF HAMILTON, OHIO

*Demographic and Economic Statistics
Last Ten Years*

Calendar Year	2011	2012	2013	2014
Population (1)				
City of Hamilton	62,795	62,295	62,477	62,258
Butler County	373,115	369,999	368,130	371,272
Income (2) (a)				
Total Personal (in thousands)	13,652,278	14,375,201	14,468,982	14,592,475
Per Capita	36,590	38,852	39,304	39,304
Unemployment Rate (3)				
Federal	8.9%	8.1%	7.4%	6.2%
State	8.6%	7.2%	7.4%	5.6%
Butler County	8.6%	7.1%	6.9%	4.9%
Civilian Work Force Estimates (3)				
State	5,806,000	5,748,000	5,766,000	5,737,000
Butler County	191,300	189,600	190,500	191,100

Sources:

- (1) US Bureau of Census of Population
- (2) US Department of Commerce, Bureau of Economic Analysis
- (a) Per Capita Income is only available for the County. Total Personal Income is presented for the County. US Department of Commerce, Bureau of Economic Analysis information is only available through 2019, for the presentation of 2019 and 2020 statistics, the City is using the latest information available.
- (3) State Department of Labor Statistics

(continued)

CITY OF HAMILTON, OHIO

*Demographic and Economic Statistics
Last Ten Years*

Calendar Year	2015	2016	2017	2018
Population (1)				
City of Hamilton	62,486	62,359	62,127	62,092
Butler County	374,158	372,538	380,604	382,378
Income (2) (a)				
Total Personal (in thousands)	15,294,831	15,631,343	15,680,621	16,197,532
Per Capita	40,878	41,534	42,620	42,360
Unemployment Rate (3)				
Federal	5.3%	4.9%	4.4%	3.8%
State	4.6%	4.7%	5.0%	4.5%
Butler County	4.2%	4.1%	4.4%	3.7%
Civilian Work Force Estimates (3)				
State	5,703,400	5,673,900	5,849,603	5,416,810
Butler County	186,900	187,900	190,208	153,227

(continued)

CITY OF HAMILTON, OHIO

*Demographic and Economic Statistics
Last Ten Years*

Calendar Year	2019	2020
Population (1)		
City of Hamilton	62,174	62,182
Butler County	383,134	384,268
Income (2) (a)		
Total Personal (in thousands)	16,229,556	18,217,377
Per Capita	42,360	47,408
Unemployment Rate (3)		
Federal	3.5%	6.0%
State	4.1%	5.6%
Butler County	3.3%	4.9%
Civilian Work Force Estimates (3)		
State	5,574,900	5,706,400
Butler County	188,200	192,400

CITY OF HAMILTON, OHIO

*Principal Employers
Current Year and Nine Years Ago*

Employer	Nature of Business	2020		
		Number of Employees	Rank	Percentage of Total Employment
Butler County	Government	1,500	1	N/A
Hamilton City School District	Education	1,185	2	N/A
Fort Hamilton Hospital	Health Care	1,010	3	N/A
ThyssenKrupp Bilstein of America (HQ)	Manufacturing	700	4	N/A
Community First Solutions (HQ)	Health Care	650	5	N/A
City of Hamilton	Government	622	6	N/A
Miami University - Hamilton	Education	400	7	N/A
Barcalycard	Communication Technology	300	8	N/A
Darana Hybrid	Manufacturing	290	9	N/A
Bethesda Butler Hospital	Health Care	245	10	N/A
Total		6,902		
Total Employment within the City (1)		N/A		

Employer	Nature of Business	2011		
		Number of Employees	Rank	Percentage of Total Employment
Butler County	Government	1,750	1	N/A
Hamilton City School District	Education	1,095	2	N/A
Fort Hamilton Hospital	Health Care	1,020	3	N/A
City of Hamilton	Government	680	4	N/A
Community First	Health Care	600	5	N/A
Miami University - Hamilton	Education	500	6	N/A
Meijer	Retail	325	7	N/A
The Kroger Company	Retail	250	8	N/A
First Financial Bank	Financial	230	9	N/A
ThyssenKrupp Bilstein Corp of America	Manufacturing	200	10	N/A
Total		6,650		
Total Employment within the City (1)		N/A		

(1) - Total employment within the City is not available.

Source: City Records

CITY OF HAMILTON, OHIO

*Full Time Equivalent Employees by Function
Last Ten Years*

	2011	2012	2013	2014	2015
Governmental Activities					
General Government					
City Administration	22.00	21.50	23.00	23.75	16.50
Engineering	12.50	9.00	6.00	7.00	4.00
Municipal Court	32.00	31.50	30.75	27.50	27.00
Information Technology	9.00	7.00	6.00	6.00	5.00
Finance	36.00	36.00	34.50	33.25	29.00
Security of Persons and Property					
Police	141.00	136.00	121.75	118.00	121.25
Fire	110.00	107.00	95.00	97.00	96.25
Public Health and Welfare Services					
Health	11.25	10.50	11.50	13.25	15.50
Leisure Time Activities					
Parks and Recreation	17.50	18.00	17.50	17.75	15.00
Community Environment					
Planning and Zoning	16.00	15.00	15.00	15.00	16.50
Transportation					
Street	55.00	57.00	60.00	60.00	56.25
Business-Type Activities					
Utilities					
Gas	31.00	29.00	30.00	28.00	26.00
Electric	114.00	105.00	105.00	111.50	96.75
Water	32.00	32.00	30.00	25.00	30.25
Wastewater	16.00	19.00	16.00	14.00	26.00
Utility Customer Service	23.00	26.00	25.00	17.00	19.00
<i>Total Employees</i>	<u>678.25</u>	<u>659.50</u>	<u>627.00</u>	<u>614.00</u>	<u>600.25</u>

Method: 1.00 for each full-time, 0.50 for each part-time and
0.25 for each seasonal employee

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

Full Time Equivalent Employees by Function Last Ten Years

	2016	2017	2018	2019	2020
Governmental Activities					
General Government					
City Administration	19.00	19.00	19.50	23.00	23.54
Engineering	5.00	5.00	5.00	5.00	5.00
Municipal Court	27.50	28.50	28.00	29.50	31.00
Information Technology	14.00	14.00	14.25	12.25	10.25
Finance	28.50	24.75	22.25	18.00	15.25
Security of Persons and Property					
Police	124.00	136.00	133.00	136.00	133.33
Fire	98.50	107.00	105.00	105.00	102.83
Public Health and Welfare Services					
Health	15.75	14.75	13.00	12.00	10.30
Leisure Time Activities					
Parks and Recreation	14.50	14.50	13.00	11.75	14.40
Community Environment					
Planning and Zoning	16.75	13.75	13.50	8.50	7.90
Transportation					
Street	57.25	53.00	56.00	66.75	57.20
Business-Type Activities					
Utilities					
Gas	27.00	22.75	26.50	27.50	27.00
Electric	103.00	99.00	102.50	100.25	96.40
Water	31.75	36.00	35.00	38.50	38.98
Wastewater	25.75	25.50	24.00	31.00	29.12
Utility Customer Service	18.00	16.00	17.00	16.00	15.00
<i>Total Employees</i>	<u>626.25</u>	<u>629.50</u>	<u>627.50</u>	<u>641.00</u>	<u>617.50</u>

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2011	2012	2013	2014
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	189	292	299	354
Building Permits Issued - Commercial	300	331	340	282
Security of Persons and Property				
Police				
Misdemeanor Arrests	6,589	3,832	3,159	6,237
Felony Arrests	1,587	1,371	1,519	773
Traffic Citations Issued	6,418	4,903	4,315	4,253
Parking Tickets Written	3,721	2,923	2,710	2,437
Fire / Emergency Medical Services				
Number of Calls Answered	11,733	12,091	11,657	12,157
Number of Inspections	2,159	637	295	520
Number of Emergency Medical Calls	9,121	9,471	9,239	9,700
Transportation				
Street				
Street Resurfacing (Center Line miles)	17.97	3.20	3.49	1.82
Parking				
Parking Levels	6.50	6.50	5.00	5.00
Parking Spaces	754	754	550	550
Average Daily Cars Parked	457	423	N/A	N/A
Parking / Meters - On Street and Lots	836	818	753	656
Public Works				
Refuse Collection				
Refuse Collected (tons)	25,823	23,149	23,227	23,232
Recyclables Collected (tons)	2,023	2,534	2,728	2,697
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	60	65	75	132
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	320	320	274	209

*Beginning in 2015, athletic field permits are issued by the Hamilton Parks Conservancy.

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2015	2016	2017	2018
Governmental Activities				
General Government				
Licenses and Permits				
Building Permits Issued - Residential	318	400	349	385
Building Permits Issued - Commercial	325	368	411	346
Security of Persons and Property				
Police				
Misdemeanor Arrests	6,025	5,488	6,462	6,546
Felony Arrests	637	754	892	791
Traffic Citations Issued	4,698	5,058	4,934	4,952
Parking Tickets Written	2,107	2,195	900	1,161
Fire / Emergency Medical Services				
Number of Calls Answered	12,724	12,967	14,482	14,254
Number of Inspections	980	96	478	565
Number of Emergency Medical Calls	10,208	10,337	13,002	12,161
Transportation				
Street				
Street Resurfacing (Center Line miles)	3.56	1.12	3.54	2.83
Parking				
Parking Levels	5.00	5.00	5.00	5.00
Parking Spaces	550	550	550	550
Average Daily Cars Parked	N/A	N/A	N/A	N/A
Parking / Meters - On Street and Lots	524	524	445	538
Public Works				
Refuse Collection				
Refuse Collected (tons)	23,190	23,282	23,907	24,278
Recyclables Collected (tons)	2,644	2,660	2,645	2,536
Leisure Time Activities				
Parks and Recreation				
Athletic Field Permits Issued*	N/A	N/A	N/A	N/A
Public Health and Welfare Services				
Health Care				
Number of Patient Beds	296	320	358	257

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2019	2020
Governmental Activities		
General Government		
Licenses and Permits		
Building Permits Issued - Residential	479	528
Building Permits Issued - Commercial	162	233
Security of Persons and Property		
Police		
Misdemeanor Arrests	6,613	5,992
Felony Arrests	777	982
Traffic Citations Issued	4,838	3,450
Parking Tickets Written	4,310	2,633
Fire / Emergency Medical Services		
Number of Calls Answered	14,412	13,744
Number of Inspections	1,220	497
Number of Emergency Medical Calls	12,693	11,825
Transportation		
Street		
Street Resurfacing (Center Line miles)	4.32	4.61
Parking		
Parking Levels	5.00	5.00
Parking Spaces	550	550
Average Daily Cars Parked	N/A	N/A
Parking / Meters - On Street and Lots	538	400
Public Works		
Refuse Collection		
Refuse Collected (tons)	24,822	27,221
Recyclables Collected (tons)	2,296	2,587
Leisure Time Activities		
Parks and Recreation		
Athletic Field Permits Issued*	N/A	N/A
Public Health and Welfare Services		
Health Care		
Number of Patient Beds	241	268

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2011	2012	2013	2014
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	8,808	6,823	9,969	10,243
Peak Daily Consumption (100 cubic feet)	27,425	23,042	27,136	33,759
Electric				
Peak Demand (MW)	159	152	140	133
Energy Requirement (MWh)	651,892	613,645	619,273	613,779
Total System Sales (MWh)	618,083	583,773	566,426	594,699
Total Residential Customers	26,085	26,052	26,099	26,127
Total Commercial Customers	2,952	2,926	2,922	2,915
Water				
New Service Connections	4	18	25	23
Water Main Breaks	87	77	117	83
Average Daily Consumption (thousands of gallons)	17,644	16,322	15,458	14,490
Peak Daily Consumption (thousands of gallons)	25,545	21,495	20,323	18,204
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	14.2	8.6	8.4	8.9

Source: City Records

N/A = Information Not Available

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	2015	2016	2017	2018
Business-Type Activities				
Gas				
Average Daily Consumption (100 cubic feet)	6,794	6,505	6,861	7,549
Peak Daily Consumption (100 cubic feet)	32,152	25,089	26,769	28,170
Electric				
Peak Demand (MW)	143	145	135	132
Energy Requirement (MWh)	614,023	604,727	585,366	610,054
Total System Sales (MWh)	561,624	571,211	552,949	583,686
Total Residential Customers	26,347	26,379	26,783	26,400
Total Commercial Customers	2,908	2,895	2,886	2,887
Water				
New Service Connections	23	30	84	76
Water Main Breaks	83	72	42	73
Average Daily Consumption (thousands of gallons)	14,490	15,222	14,766	11,792
Peak Daily Consumption (thousands of gallons)	18,204	22,215	19,491	22,331
Wastewater				
Average Daily Sewage Treatment (millions of gallons)	8.9	8.5	9.0	10.8

(continued)

CITY OF HAMILTON, OHIO

*Operating Indicators by Function
Last Ten Years*

	<u>2019</u>	<u>2020</u>
Business-Type Activities		
Gas		
Average Daily Consumption (100 cubic feet)	7,349	6,709
Peak Daily Consumption (100 cubic feet)	32,496	23,495
Electric		
Peak Demand (MW)	124	132
Energy Requirement (MWh)	599,026	573,848
Total System Sales (MWh)	565,567	547,178
Total Residential Customers	26,528	26,583
Total Commercial Customers	2,908	2,908
Water		
New Service Connections	124	83
Water Main Breaks	43	38
Average Daily Consumption (thousands of gallons)	16,452	15,560
Peak Daily Consumption (thousands of gallons)	21,386	24,823
Wastewater		
Average Daily Sewage Treatment (millions of gallons)	10.4	9.2

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2011	2012	2013	2014
Governmental Activities				
General Government				
Public Land and Buildings				
Land (Square Miles)	21.68	21.68	21.68	21.68
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Cruisers	44	40	40	40
Fire / Emergency Medical Services				
Stations	6	6	5	5
Transportation				
Street				
Streets (lane miles)	254.21	254.21	254.21	254.21
Street Lights	6,996	7,011	7,028	7,029
Traffic Signals	98	96	96	95
Parking				
Off street Parking Garages	2	2	1	1
Leisure Time Activities				
Parks and Recreation				
Parks	52	52	54	54
Park Area (acres)	1,300	1,300	1,308	1,308
Playgrounds	24	24	24	24
Ball Fields				
Lighted	9	9	9	9
Unlighted	34	34	34	34
Tennis Courts				
Lighted	2	2	2	2
Unlighted	6	6	6	6
Swimming Pools	1	1	1	1
Splash Pads				3
Golf Courses	2	2	2	2
Skateboard Park	1	1	1	1
Community Environment				
Libraries	1	1	1	1
Public Health and Welfare				
Hospitals	2	2	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2015	2016	2017	2018
Governmental Activities				
General Government				
Public Land and Buildings				
Land (Square Miles)	21.68	21.68	21.68	21.68
Security of Persons and Property				
Police				
Stations	1	1	1	1
Patrol Cruisers	40	49	60	60
Fire / Emergency Medical Services				
Stations	5	5	5	5
Transportation				
Street				
Streets (lane miles)	254.21	254.21	254.21	254.21
Street Lights	9,043	9,043	9,050	9,051
Traffic Signals	95	95	92	94
Parking				
Off street Parking Garages	1	1	1	1
Leisure Time Activities				
Parks and Recreation				
Parks	54	36	44	47
Park Area (acres)	1,308	1,308	1,315	1,261
Playgrounds	24	24	23	26
Ball Fields				
Lighted	9	10	9	9
Unlighted	34	34	34	34
Tennis Courts				
Lighted	2	1	1	1
Unlighted	6	3	5	5
Swimming Pools	1	1	1	1
Splash Pads	3	5	8	8
Golf Courses	2	2	2	2
Skateboard Park	1	1	1	1
Community Environment				
Libraries	1	1	1	1
Public Health and Welfare				
Hospitals	2	2	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2019	2020
Governmental Activities		
General Government		
Public Land and Buildings		
Land (Square Miles)	21.68	21.68
Security of Persons and Property		
Police		
Stations	1	1
Patrol Cruisers	60	60
Fire / Emergency Medical Services		
Stations	5	5
Transportation		
Street		
Streets (lane miles)	254.21	254.21
Street Lights	9,051	9,051
Traffic Signals	94	97
Parking		
Off street Parking Garages	1	1
Leisure Time Activities		
Parks and Recreation		
Parks	47	46
Park Area (acres)	1,261	1,261
Playgrounds	26	26
Ball Fields		
Lighted	9	9
Unlighted	34	34
Tennis Courts		
Lighted	1	1
Unlighted	5	6
Swimming Pools	1	1
Splash Pads	8	8
Golf Courses	2	2
Skateboard Park	1	1
Community Environment		
Libraries	1	1
Public Health and Welfare		
Hospitals	2	2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2011	2012	2013	2014
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	340.0	340.0	345.0	340.1
Wastewater				
Treatment Plants	1	1	1	1
Maximum Capacity (millions of gallons)	32	32	32	32
Sanitary Sewerlines (Miles)	253.0	253.0	253.0	253.0
Storm Drains (Miles)	188.2	188.2	188.2	188.2

Source: City Records

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	2015	2016	2017	2018
Business-Type Activities				
Utilities				
Water				
Purification Plants	2	2	2	2
Maximum Capacity (millions of gallons)	46	46	46	46
Waterlines (Miles)	340.1	340.1	340.1	340.1
Wastewater				
Treatment Plants	1	1	1	1
Maximum Capacity (millions of gallons)	32	32	32	32
Sanitary Sewerlines (Miles)	253.0	253.0	253.0	253.0
Storm Drains (Miles)	188.2	188.2	188.2	188.2

(continued)

CITY OF HAMILTON, OHIO

*Capital Asset Statistics by Function
Last Ten Years*

	<u>2019</u>	<u>2020</u>
Business-Type Activities		
Utilities		
Water		
Purification Plants	2	2
Maximum Capacity (millions of gallons)	46	46
Waterlines (Miles)	340.1	340.1
Wastewater		
Treatment Plants	1	1
Maximum Capacity (millions of gallons)	32	32
Sanitary Sewerlines (Miles)	253.0	253.0
Storm Drains (Miles)	188.2	188.2





CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM

BUTLER COUNTY

FINANCIAL AUDIT

FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 10
Financial Statements:	
Statement of Net Position	11
Statement of Revenues, Expenses and Changes in Net Position	12
Statement of Cash Flows.....	13
Notes to Financial Statements.....	14 – 36
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	37
Schedule of Pension Contributions	37
Schedule of the Proportionate Share of the Net OPEB Liability.....	38
Schedule of OPEB Contributions	38
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	39

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Electric System, an enterprise fund of the City of Hamilton, Ohio (the Electric System), as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Electric System as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Electric System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Electric System's financial performance provide an overall review of that system's financial activities for the years ended December 31, 2020 and 2019. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2020 and 2019 are as follows:

- The assets and deferred outflow of resources of the Hamilton Electric System exceeded its liabilities and deferred inflows of resources at the close of 2020 and 2019 by \$112,232,050 and \$115,281,431 (net position), respectively. Of these amounts, \$18,043,802 and \$19,548,965 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- The system's total net position decreased by \$3,049,381 between 2020 and 2019, representing a 2.6% decrease.
- In 2020, the Electric System's long-term debt decreased by \$1,210,000, with an outstanding balance remaining of \$38,255,000.

Electric System Summary

The City of Hamilton, Ohio has owned and operated an electric utility system since 1893. Currently, the system is the second largest municipally owned electric system in Ohio. The electric system is a fully integrated electric generation, transmission and distribution system. The system owns both thermal and hydroelectric generation facilities and maintains a diverse customer base, with approximately 29,500 customers. Customer rates are established by the City and are not subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio (PUCO) or any other regulatory body.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Electric System for the year ended December 31, 2020.

Reporting Hamilton's Electric System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Electric System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Electric System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2020 and 2019. The City of Hamilton's Electric System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Electric Fund are restricted to Electric System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the System looks at all financial transactions of the Electric Fund and asks the question, "How did we do financially during 2020 and 2019?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the system, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Electric System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Electric System charges fees to recoup the cost of the entire operation of the Electric System as well as all capital expenses associated with these facilities.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. Table 1 provides a summary of the Electric System's Statement of Net Position for the Years Ended December 31, 2020, 2019, and 2018.

	2020	2019	2018
Current and other assets	\$ 63,570,238	\$ 67,303,361	\$ 50,065,243
Capital assets	122,366,812	118,035,832	117,666,483
Total assets	<u>185,937,050</u>	<u>185,339,193</u>	<u>167,731,726</u>
Deferred outflows of resources	3,549,792	6,077,476	3,214,329
Long-term liabilities:			
Net pension liability	11,962,955	16,288,107	8,807,947
OPEB liabilities	8,825,555	8,154,399	6,433,564
Other long-term amounts	40,732,993	42,082,374	28,567,956
Other liabilities	11,981,633	9,368,698	8,880,244
Total liabilities	<u>73,503,136</u>	<u>75,893,578</u>	<u>52,689,711</u>
Deferred inflows of resources	3,751,656	241,660	2,560,231
Net investment in capital assets	89,493,657	90,563,524	88,396,753
Restricted	4,694,591	5,168,942	7,070,806
Unrestricted	18,043,802	19,548,965	20,228,554
Total net position	<u>\$ 112,232,050</u>	<u>\$ 115,281,431</u>	<u>\$ 115,696,113</u>

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The net pension liability (NPL) is reported by the Electric System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Electric System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Electric System's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the net pension and net OPEB liabilities reported in the Electric System's financial statements as a result of the Electric System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Electric System's financial statements reflects OPEB benefits provided by the Electric System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Electric System's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Electric System is not responsible for certain key factors affecting the balance of these liabilities.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio Revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Electric System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The System's asset values consists of the physical property, plant and equipment of the system having a historical cost less accumulated depreciation of \$122,366,812, \$118,035,832, and \$117,666,483, respectively, at December 31, 2020, 2019, and 2018. The System employs these assets in the generation, transmission, and distribution of electricity to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt in the Net Position section of the Statement of Net Position and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, since the capital assets themselves cannot be used to liquidate the liabilities.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

As of December 31, 2020, 2019, and 2018, the Electric System was able to report positive balances in net position of \$112,232,050, \$115,281,431, and \$115,696,113, respectively. In 2020 and 2018, the Electric System reported operating losses of \$2,621,787 and \$2,877,222, respectively, and operating income of \$347,281 in 2019. Purchased power costs increased due to increased capacity and transmission costs compared to 2019. Net non-operating expenses of \$427,594 decreased by \$334,369, primarily due to lower interest costs due to making the final payment on the Series 2009A bonds and refunding of the Series 2009B bonds in 2019.

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating revenues	\$ 80,238,628	\$ 81,730,855	\$ 79,889,209
Operating expenses:			
Purchased power and fuel	52,466,231	48,933,774	53,951,389
Depreciation	7,010,456	6,880,834	6,945,557
Other operating expenses	23,383,728	25,568,966	21,869,485
Total operating expenses	<u>82,860,415</u>	<u>81,383,574</u>	<u>82,766,431</u>
Operating income (loss)	(2,621,787)	347,281	(2,877,222)
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,274,234)	(1,845,396)	(2,534,447)
Loss on disposal of capital assets	(7,562)	(52,220)	(15,821)
Other non-operating revenues	854,202	1,135,653	991,563
Total non-operating revenues (expenses)	<u>(427,594)</u>	<u>(761,963)</u>	<u>(1,558,705)</u>
Change in net position	(3,049,381)	(414,682)	(4,435,927)
Beginning net position	115,281,431	115,696,113	120,132,040
Ending net position	<u>\$ 112,232,050</u>	<u>\$ 115,281,431</u>	<u>\$ 115,696,113</u>

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Electric System as of December 31, 2020, 2019, and 2018 amounted to \$89.5 million, \$90.6 million and \$88.4 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment including the City's hydro-electric and thermal generation facilities. The plant and equipment of the Electric System are rigorously tested, and maintenance schedules are adhered to in a strenuous fashion to insure safe, long-term, efficient operation.

Note 5 (Capital Assets) provides Electric System asset activity during 2020 and 2019.

Debt Administration: At the end of 2020, the Electric System had three outstanding long-term revenue bond issues totaling \$38,255,000, with \$1,240,000 due within one year.

See Note 6 for a discussion of outstanding Electric System bonds, notes and related activity.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Economic Factors and Future Trends

The City's 2020 rate base consisted of approximately 26,600 residential customers and 2,900 commercial and industrial customers. The residential customers account for 53% of the revenue, the commercial and industrial customers account for the remaining 47%. No single customer of the Electric System accounted for more than 2.6% of total revenues and the ten largest customers, in the aggregate, accounted for approximately 12.4% of the Electric System's revenues in 2020. The Electric System customer base is comprised of approximately 90% residential and 10% commercial and industrial customers.

The City has a rate ordinance, which sets forth rates and charges for Residential, Commercial Non-Demand, Commercial Demand, Large Power and Industrial Service. All rates include:

- A power cost adjustment (PCA) charge (Rider A) that allows for increases or decreases in the fuel and purchased power costs to be passed directly through to the Electric System's customers in comparison with the level of power costs embedded in the base rates. The PCA averaged a charge of \$0.00143/kWh in 2020.
- An electric rate stabilization adjustment rider (Rider B) that allows for a percentage adder to be applied to all charges under each rate schedule to replenish revenues previously withdrawn from the Electric Rate Stabilization Fund. Rider B was not assessed for 2019.
- A suburban surcharge (Rider C) of 5% for all Electric System customers outside the corporate limits of the City.
- An unfunded environmental mandates adjustment rider (UEMA – Rider D) that allows for expenses associated with the Electric System's compliance with environmental mandates, not included in the base rates or PCA. Rider D was not assessed for 2020.
- An unfunded governmental and regulatory, excluding environmental (Rider D), mandates adjustment rider (UGRMA – Rider E) that allows for expenses associated with the Electric System's compliance with governmental and regulatory mandates not included in the base rates, PCA or Rider D. Rider E was not assessed for 2020.
- The Economic Development Cost Adjustment (Rider F) for Electric was not assessed in 2020.

The annual budget of the City Electric System is adopted in accordance with ten-year projections developed by City staff, and these projections are reviewed and updated annually, or more often as deemed necessary by City Management.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The Electric System serves the electricity needs of its customers with energy from a diversified mix of resources. This mix consists of steam, hydroelectric, combustion turbine generating facilities and the wholesale energy market. The City has purchase power contracts with American Municipal Power Inc. (AMP) for several generating resources including the New York Power Authority ("NYPA"), Prairie State Energy Campus ("Prairie State"), AMP Fremont Energy Center ("AFEC"), Ohio Municipal Electric Generating Agency Joint Venture 2 ("OMEGA JV-2"), Meldahl and the wholesale energy market.

Prairie State is a 2-unit, 1,600 MW coal-fired generating project that is located in Central Illinois. Prairie State began commercial operation in 2012. The City and AMP executed a 50-year purchase power agreement under which the City purchases 17.5 MW from each unit, resulting in a total City contractual entitlement of 35 MW of capacity. Prairie State is projected to provide approximately 267,355 MWh of the City's energy supply in 2021. AMP owns an interest in the Prairie State Energy Campus equivalent to 368 MW of capacity.

In 2011, AMP purchased AFEC, a natural gas-fired combined cycle generating station, from FirstEnergy. Plant construction was completed by December 31, 2011 and commercial operation of the facility began on January 1, 2012. AFEC is located near Fremont, Ohio. AFEC includes two 180 MW (net) natural gas-fired combustion turbines and one 360 MW (net) steam turbine. The City purchases 11.55 MW of Base Capacity under a power sales agreement ("PSA") with AMP, from AMP's share of AFEC. The City's AFEC PSA is projected to supply approximately 87,721 MWh of the City's energy supply in 2021.

On March 1, 2009, the City entered into the AMP/Hamilton Meldahl-Greenup Agreements pursuant to which the City has retained approximately 55.928 MW of the 108.81 MW Meldahl project. Additionally, the City sold approximately 34.1 MW of the 70.2 MW Greenup Project to AMP for a sale price of \$139 million, which was paid by AMP to the City shortly after the commencement of operations of the Meldahl Project in 2016. Proceeds from the sale were used to retire outstanding debt or deposited into a reserve to fund necessary capital improvements to the Electric System. Pursuant to the agreement, the City's share of the combined Meldahl/Greenup annual power generation is expected to be approximately 375,825 MWh, thereby diversifying the City's power resources and moving further away from the production of power via fossil fuels.

The City purchases approximately 3.8 MW on-peak and 1.9 MW off-peak of project capability and associated energy from the New York Power Authority's Niagara and St. Lawrence Hydroelectric Projects, marketed by NYPA and supplied through AMP. NYPA is projected to supply approximately 21,112 MWh of the City's energy supply in 2021. The NYPA entitlement is transmitted to the Electric System through New York, Pennsylvania, and the Pennsylvania-New Jersey-Maryland Interconnection, LLC systems and the Duke interconnection.

City of Hamilton, Ohio

Electric System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

In November 2000, the City became a participant in OMEGA JV-2. OMEGA JV-2 owns and operates approximately 138 MW of distributive generation capacity consisting of 38 units located in 13 Ohio communities. One of the OMEGA JV-2 units, a 32 MW (gross) combustion turbine, is located within the City limits, but not at the Thermal Power Plant, and is interconnected with the Electric System. The OMEGA JV-2 generating unit that is located in Hamilton is remotely operated by AMP, under the OMEGA JV-2 arrangement. The City is entitled by contract to approximately 32 MW (gross) of capacity and associated energy from OMEGA JV-2. JV-2 is projected to supply approximately 2,600 MWh of the City's energy supply in 2021. The capacity charge includes the City's portion of the cost of funding the purchase of the OMEGA JV-2.

Gas Turbine-Generator 2, or GT-2, is a natural gas-fired combustion turbine. Gas Turbine-Generator 2 is used for peaking. Gas Turbine No. 2 was manufactured by Westinghouse.

The City is the licensee of the Small Hydro Plant, a run-of-the-river hydroelectric generation facility located on a three-mile long diversion canal off the Great Miami River. Water is diverted into the canal by means of ungated dams. The Small Hydro Plant is located in the City approximately one-quarter mile from the Thermal Power Plant. The Small Hydro Plant capacity rating is 1,700 kW and is projected to supply approximately 5,212 MWh of the City's energy supply in 2021. The diversion canal is the source of cooling water for the thermal generation facilities.

In 2012, the Electric System joined the PJM RTO (Regional Transmission Organization). This transition meant that the Electric System would receive its power from the "grid" through PJM as opposed to through the MISO (Midwest Independent System Operators) RTO, its pre-2012 Regional Transmission Organization. This transition resulted from the decision of Duke Energy Ohio and Duke Energy Kentucky switch from MISO to PJM. Since the City of Hamilton is essentially surrounded by the territory of Duke Energy Ohio and receives its outside power through the Duke Energy Interconnect, the decision to switch to PJM made operational and economic sense. Additionally, most of Ohio is already located in PJM.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Electric System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and investments	\$ 48,157,579	51,263,941
Accounts receivable (less allowance for uncollectible accounts of \$2,512,521 and \$4,862,603, respectively)	8,603,671	8,773,791
Interest receivable	65,543	149,935
Inventory of supplies at cost	1,660,252	1,622,780
Prepaid expenses	388,602	323,972
Total current assets	<u>58,875,647</u>	<u>62,134,419</u>
Restricted cash and investments	<u>4,694,591</u>	<u>5,168,942</u>
Noncurrent assets:		
Nondepreciable capital assets	28,183,274	21,703,700
Depreciable capital assets, net	94,183,538	96,332,132
Total noncurrent assets	<u>122,366,812</u>	<u>118,035,832</u>
Total assets	<u>185,937,050</u>	<u>185,339,193</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	296,807	307,042
Pension	1,847,032	4,994,959
OPEB	1,405,953	775,475
Total deferred outflows of resources	<u>3,549,792</u>	<u>6,077,476</u>
LIABILITIES		
Current liabilities:		
Accounts payable	7,382,165	4,788,937
Accrued wages and benefits	323,407	430,569
Accrued liabilities	956	936
Intergovernmental payable	150,582	144,449
Accrued interest payable	390,821	353,350
Customer deposits payable	1,813,679	1,768,654
Compensated absences payable-current	680,023	671,803
Revenue bonds payable-current portion	1,240,000	1,210,000
Total current liabilities	<u>11,981,633</u>	<u>9,368,698</u>
Noncurrent Liabilities:		
Compensated absences payable	627,534	580,055
Revenue bonds payable	40,105,459	41,502,319
Net pension liability	11,962,955	16,288,107
Net OPEB liability	8,499,247	7,853,807
Total OPEB liability	<u>326,308</u>	<u>300,592</u>
Total noncurrent liabilities	<u>61,521,503</u>	<u>66,524,880</u>
Total liabilities	<u>73,503,136</u>	<u>75,893,578</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	2,537,596	213,873
OPEB	1,214,060	27,787
Total deferred inflows of resources	<u>3,751,656</u>	<u>241,660</u>
NET POSITION		
Net investment in capital assets	89,493,657	90,563,524
Restricted for debt service	694,591	1,168,942
Restricted for rate stabilization	4,000,000	4,000,000
Unrestricted	18,043,802	19,548,965
Total net position	<u>\$ 112,232,050</u>	<u>115,281,431</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 79,975,957	81,207,311
Other operating revenues	<u>262,671</u>	<u>523,544</u>
Total operating revenues	<u>80,238,628</u>	<u>81,730,855</u>
Operating expenses:		
Personal services	11,551,884	13,499,907
Materials and supplies	980,853	1,110,301
Contractual services	6,929,534	7,432,090
Purchased power and fuel	52,466,231	48,933,774
Depreciation	7,010,456	6,880,834
Other operating expenses	<u>3,921,457</u>	<u>3,526,668</u>
Total operating expenses	<u>82,860,415</u>	<u>81,383,574</u>
Operating income (loss)	(2,621,787)	347,281
Non-operating revenues (expenses):		
Investment earnings	803,545	822,934
Loss on disposal of capital assets	(7,562)	(52,220)
Grants	50,657	312,719
Interest and fiscal charges	<u>(1,274,234)</u>	<u>(1,845,396)</u>
Total non-operating revenues (expenses)	<u>(427,594)</u>	<u>(761,963)</u>
Change in net position	(3,049,381)	(414,682)
Net position - beginning of year	<u>115,281,431</u>	<u>115,696,113</u>
Net position - end of year	\$ <u>112,232,050</u>	<u>115,281,431</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - ELECTRIC SYSTEM
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 80,408,768	80,679,197
Cash paid for employee services and benefits	(11,520,150)	(11,180,545)
Cash paid to suppliers for goods and services	<u>(61,779,303)</u>	<u>(58,436,617)</u>
Net cash from operating activities	<u>7,109,315</u>	<u>11,062,035</u>
Cash flows from noncapital financing activities:		
Intergovernmental grants	50,657	312,719
Kilowatt hour taxes received	2,314,634	2,375,056
Kilowatt hour taxes paid to State	<u>(2,314,634)</u>	<u>(2,375,056)</u>
Net cash from noncapital financing activities	<u>50,657</u>	<u>312,719</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisition	(9,035,234)	(7,378,864)
Revenue bond proceeds	-	29,287,934
Revenue bond principal retirement	(1,210,000)	(15,440,000)
Debt interest payments	<u>(1,383,388)</u>	<u>(2,211,554)</u>
Net cash from capital and related financing activities	<u>(11,628,622)</u>	<u>4,257,516</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>887,937</u>	<u>789,688</u>
Net change in cash and investments	(3,580,713)	16,421,958
Cash and investments at beginning of year	<u>56,432,883</u>	<u>40,010,925</u>
Cash and investments at end of year	\$ <u>52,852,170</u>	<u>56,432,883</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ (2,621,787)	347,281
Adjustments to reconcile operating income (loss) to net cash from operating activities:		
Depreciation	7,010,456	6,880,834
Change in deferred outflows-pension and OPEB	2,517,449	(2,556,105)
Change in deferred inflows-pension and OPEB	3,509,996	(2,318,571)
Change in Assets and Liabilities:		
(Increase) decrease in receivables	170,120	(1,051,658)
(Increase) decrease in inventory	(37,472)	110,438
(Increase) decrease in prepaid items	(64,630)	158,306
Increase (decrease) in customer deposits payable	45,025	113,439
Increase (decrease) in payables	279,464	(210,422)
Increase (decrease) in accrued liabilities	(51,443)	272,509
Increase (decrease) in intergovernmental payables	6,133	114,989
Increase (decrease) in net pension liability	(4,325,152)	7,480,160
Increase (decrease) in net OPEB liability	645,440	1,685,694
Increase (decrease) in Total OPEB liability	<u>25,716</u>	<u>35,141</u>
Net cash from operating activities	\$ <u>7,109,315</u>	<u>11,062,035</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	\$ <u>2,623,058</u>	<u>309,294</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – ELECTRIC SYSTEM

Notes to Financial Statements Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Electric System (Electric System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Electric System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Electric System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Electric System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Electric System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Electric System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Electric System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Discounts and Premiums – Unamortized bond discounts and premiums are amortized on the interest method over the term of the related bonds. Amortization of bond discounts for 2020 and 2019 was \$5,046 and \$57,172, respectively, and amortization of premiums during 2020 and 2019 was \$161,906 and \$76,762, respectively.

Compensated Absences - The Electric System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Electric System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Electric System reports deferred outflows of resources deferred pension/OPEB amounts and are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Electric System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Electric System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Electric System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Electric System totaled \$52,157,579 and \$55,263,941 for December 31, 2020 and 2019, respectively, and consisted of demand deposits, money market funds, commercial paper, marketable CD's, municipal bonds, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$694,591 and \$1,168,942 at December 31, 2020 and 2019, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2020 and 2019, approximately 96% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Electric System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Electric System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Electric Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

The City’s pooled investments, as well as the investments held by trustees specifically for the Electric System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.82 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Earned and unbilled consumer accounts	\$ 4,832,676	4,795,645
Earned and billed consumer accounts	5,768,597	8,270,920
Other	514,919	569,829
Less allowance for uncollectible accounts	<u>(2,512,521)</u>	<u>(4,862,603)</u>
Total	<u>\$ 8,603,671</u>	<u>8,773,791</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$4,694,591 and \$5,168,942 at December 31, 2020 and 2019, respectively.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,863,309	\$ -	\$ -	\$ 1,863,309
Construction in progress	19,840,391	8,178,315	(1,698,741)	26,319,965
Subtotal	<u>21,703,700</u>	<u>8,178,315</u>	<u>(1,698,741)</u>	<u>28,183,274</u>
<i>Capital assets being depreciated:</i>				
Intangibles	1,070,786	-	-	1,070,786
Buildings and improvements	22,850,308	91,836	-	22,942,144
Machinery and equipment	408,202,445	4,777,588	(368,450)	412,611,583
Subtotal	<u>432,123,539</u>	<u>4,869,424</u>	<u>(368,450)</u>	<u>436,624,513</u>
Totals at historical cost	<u>453,827,239</u>	<u>13,047,739</u>	<u>(2,067,191)</u>	<u>464,807,787</u>
Less accumulated depreciation:				
Intangibles	256,992	21,416	-	278,408
Buildings and improvements	10,228,360	386,454	-	10,614,814
Machinery and equipment	325,306,055	6,602,586	(360,888)	331,547,753
Total accumulated depreciation	<u>335,791,407</u>	<u>7,010,456</u>	<u>(360,888)</u>	<u>342,440,975</u>
Capital assets, net	<u>\$ 118,035,832</u>	<u>\$ 6,037,283</u>	<u>\$ (1,706,303)</u>	<u>\$ 122,366,812</u>

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 1,863,309	\$ -	\$ -	\$ 1,863,309
Construction in progress	18,674,911	3,684,143	(2,518,663)	19,840,391
Subtotal	<u>20,538,220</u>	<u>3,684,143</u>	<u>(2,518,663)</u>	<u>21,703,700</u>
<i>Capital assets being depreciated:</i>				
Intangibles	1,070,786	-	-	1,070,786
Buildings and improvements	22,184,131	666,177	-	22,850,308
Machinery and equipment	403,174,664	5,470,746	(442,965)	408,202,445
Subtotal	<u>426,429,581</u>	<u>6,136,923</u>	<u>(442,965)</u>	<u>432,123,539</u>
Totals at historical cost	<u>446,967,801</u>	<u>9,821,066</u>	<u>(2,961,628)</u>	<u>453,827,239</u>
Less accumulated depreciation:				
Intangibles	235,576	21,416	-	256,992
Buildings and improvements	9,854,953	373,407	-	10,228,360
Machinery and equipment	319,210,789	6,486,011	(390,745)	325,306,055
Total accumulated depreciation	<u>329,301,318</u>	<u>6,880,834</u>	<u>(390,745)</u>	<u>335,791,407</u>
Capital assets, net	<u>\$ 117,666,483</u>	<u>\$ 2,940,232</u>	<u>\$ (2,570,883)</u>	<u>\$ 118,035,832</u>

6. LONG-TERM DEBT

In April 2018, the Electric System currently refunded the 2017 Notes through the issuance of \$12,980,000 of Series 2018 Electric System Refunding Revenue Bonds. These bonds fully mature in 2030 and bear interest from 3.0 to 5.0 percent per annum.

In December 2019, the Electric System defeased \$14,520,000 of the Series 2009B Build America Bonds through the issuance of \$11,285,000 of Series 2019 Electric System Mortgage Revenue Refunding Bonds, and additional cash on hand. These bonds fully mature in 2039 and bear interest between 3.0 to 4.0 percent per annum. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds.

Also in December 2019, the Electric System issued \$15,600,000 of Series 2019 Electric System Mortgage Revenue Bonds to construct a new substation and other necessary improvements. These bonds mature in 2049 and bear interest between 3.0 to 4.0 percent per annum.

Debt activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Series 2018 Revenue Bonds	\$ 12,580,000	\$ -	\$ (890,000)	\$ 11,690,000	\$ 940,000
Series 2019 Revenue Refunding Bonds	11,285,000	-	(105,000)	11,180,000	20,000
Series 2019 Revenue Bonds	15,600,000	-	(215,000)	15,385,000	280,000
Less deferred amount:					
for issuance discounts	(151,394)	-	5,046	(146,348)	-
for issuance premiums	3,398,713	-	(161,906)	3,236,807	-
Compensated absences	1,251,858	727,502	(671,803)	1,307,557	680,023
	<u>\$ 43,964,177</u>	<u>\$ 727,502</u>	<u>\$ (2,038,663)</u>	<u>\$ 42,653,016</u>	<u>\$ 1,920,023</u>

Debt activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Series 2009A Revenue Bonds	\$ 920,000	\$ -	\$ (920,000)	\$ -	\$ -
Series 2009B Revenue BABs	14,520,000	-	(14,520,000)	-	-
Series 2018 Revenue Bonds	12,580,000	-	-	12,580,000	890,000
Series 2019 Revenue Refunding Bonds	-	11,285,000	-	11,285,000	105,000
Series 2019 Revenue Bonds	-	15,600,000	-	15,600,000	215,000
Less deferred amount:					
for issuance discounts	(57,172)	(151,394)	57,172	(151,394)	-
for issuance premiums	921,147	2,554,328	(76,762)	3,398,713	-
Compensated absences	1,202,247	647,877	(598,266)	1,251,858	671,803
	<u>\$ 30,086,222</u>	<u>\$ 29,935,811</u>	<u>\$ (16,057,856)</u>	<u>\$ 43,964,177</u>	<u>\$ 1,881,803</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the payments of principal and interest are guaranteed by the insurer.

A summary of the Electric System’s annual debt service requirements as of December 31, 2020 follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 1,240,000	\$ 1,529,300	\$ 2,769,300
2022	1,285,000	1,470,300	2,755,300
2023	1,355,000	1,409,150	2,764,150
2024	1,425,000	1,341,400	2,766,400
2025	1,490,000	1,270,150	2,760,150
2026-2030	8,605,000	5,232,800	13,837,800
2031-2035	8,005,000	3,593,600	11,598,600
2036-2040	8,240,000	1,862,000	10,102,000
2041-2045	3,455,000	790,500	4,245,500
2046-2049	<u>3,155,000</u>	<u>240,150</u>	<u>\$ 3,395,150</u>
Total	<u>\$ 38,255,000</u>	<u>\$ 18,739,350</u>	<u>\$ 56,994,350</u>

7. DEFINED BENEFIT PENSION PLANS

The Electric System contributes to the Ohio Public Employees Retirement System.

A. Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Electric System’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Electric System’s obligation for this liability to annually required payments. The Electric System cannot control benefit terms or the manner in which pensions are financed; however, the Electric System does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Electric System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Electric System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2020 and 2019:

Statutory Maximum Contribution Rates

Employer	14.0 %
Employee	10.0 %

Actual Contribution Rates

Employer:		
Pension	14.0 %	
Post-employment Health Care Benefits	<u>0.0 %</u>	
Total Employer	<u>14.0 %</u>	
Employee	<u>10.0 %</u>	

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Electric System's contractually required contributions were \$1,208,071 and \$1,172,651 for 2020 and 2019, respectively. Of this amount, \$44,699 was reported as an intergovernmental payable in 2020 and \$35,433 in 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Electric System's proportion of the net pension liability was based on the Electric System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net Pension Liability	\$ 11,962,955	\$ 16,288,107
Proportion of the Net Pension Liability	0.0605239%	0.0594718%
Change in Proportion	0.0010521%	0.0033275%
Pension Expense	\$ 2,138,580	\$ 3,732,228

At December 31, 2020 and 2019, the Electric System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 2,210,752
Electric System change in proportionate share	-	192,885
Changes in assumptions	638,961	1,417,920
Differences between expected and actual experience	-	751
Electric System contributions subsequent to the measurement date	<u>1,208,071</u>	<u>1,172,651</u>
Total Deferred Outflows of Resources	<u>\$ 1,847,032</u>	<u>\$ 4,994,959</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 2,386,338	\$ -
Differences between expected and actual experience	<u>151,258</u>	<u>213,873</u>
Total Deferred Inflows of Resources	<u>\$ 2,537,596</u>	<u>\$ 213,873</u>

\$1,208,071 reported as deferred outflows of resources related to pension resulting from the Electric System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:		
2021	\$	(279,224)
2022		(770,696)
2023		98,817
2024		<u>(947,532)</u>
Total		<u>\$ (1,898,635)</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 1.4 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for vested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Electric System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate The following table presents the Electric System’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Electric System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6. percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Electric System's proportionate share of the net pension liability	\$ 19,731,461	\$ 11,962,955	\$ 4,980,076

8. DEFINED BENEFIT OPEB PLANS

The Electric System contributes to the Ohio Public Employees Retirement System and the City's Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Electric System's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The Electric System cannot control benefit terms or the manner in which OPEB are financed; however, the Electric System does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Electric System's contractually required contributions were \$0 for 2020 and 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Electric System's proportion of the net OPEB liability was based on the Electric System's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net OPEB Liability	\$ 8,499,247	\$ 7,853,807
Proportion of the Net OPEB Liability	0.0615326%	0.0602395%
Change in Proportion	0.0012931%	0.0034390%
OPEB Expense	\$ 680,654	\$ 667,376

At December 31, 2020 and 2019, the Electric System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 360,052
Electric System change in proportionate share	10,567	125,889
Changes in assumptions	1,345,340	253,216
Differences between expected and actual experience	<u>227</u>	<u>2,658</u>
Total Deferred Outflows of Resources	<u>\$ 1,356,134</u>	<u>\$ 741,815</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 432,779	\$ -
Differences between expected and actual experience	<u>777,294</u>	<u>21,308</u>
Total Deferred Inflows of Resources	<u>\$ 1,210,073</u>	<u>\$ 21,308</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2021	\$ 228,043
2022	101,452
2023	342
2024	<u>(183,776)</u>
Total	<u>\$ 146,061</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current measurement period	2.75 percent
Prior measurement period	3.71 percent
Health Care Cost Trend Rate:	
Current measurement period	10.5 percent, initial 3.5 percent, ultimate in 2030
Prior measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

Discount Rate. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Electric System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Electric System’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Electric System’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.16 percent) or 1.0 percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Electric System's proportionate share of the net OPEB liability	\$ 11,122,304	\$ 8,499,247	\$ 6,398,586

Sensitivity of the Electric System’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Electric System's proportionate share of the net OPEB liability	\$ 8,248,201	\$ 8,499,247	\$ 8,746,601

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Electric System’s contractually required contributions were \$17,444 in 2020 and \$17,258 in 2019.

At December 31, 2020, the number of plan-wide active participants and retirees were 579 and 657, respectively, and 591 and 650 at December 31, 2019, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2020. Following is information related to the changes in total OPEB liability:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability, beginning of year	\$ 300,592	\$ 265,451
Service cost	3,676	2,937
Interest	8,028	9,762
Difference between expected and actual experience	4,383	6,383
Changes in assumptions	27,073	33,317
Benefit payments	<u>(17,444)</u>	<u>(17,258)</u>
Total OPEB Liability, end of year	<u>\$ 326,308</u>	<u>\$ 300,592</u>
 Retiree Life Insurance Plan OPEB expense	 \$7,065	 \$2,078

At December 31, 2020 and 2019, the Electric System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 41,199	\$ 26,376
Differences between expected and actual experience	<u>8,620</u>	<u>7,284</u>
Total Deferred Outflows of Resources	<u>\$ 49,819</u>	<u>\$ 33,660</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 3,987</u>	<u>\$ 6,479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	12,805
2022		13,459
2023		12,785
2024		6,168
2025		<u>615</u>
Total	\$	<u>45,832</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	2.00 percent
Prior measurement date	2.75 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pub-2010 General/Public Safety
Retired	Pub-2010 General Retiree
Disabled	Pub-2010 General Disabled Retiree
Weighting	Headcount-weighted
Future Improvement	Projected generationally using Scale MP-2020
Single Discount Rate:	

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Electric System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.00 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00 percent) and one-percentage-point higher (3.00 percent) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 372,228	\$ 326,308	\$ 288,851

9. RELATED PARTY TRANSACTIONS

Under an arrangement with the City, the Electric System provides street lighting and traffic light services to the City, without charge and the estimated operating cost of supplying these free services was \$295,000 in 2020 and \$295,000 in 2019. The City’s Gas System provides gas to the Electric System for use in the generation of electricity. Gas costs of \$67,000 in 2020 and \$151,000 in 2019 paid to the Gas System are included in operating expenses. The Electric System sells electricity to the City’s Water and Wastewater Systems. Included in revenues are sales to the Water System and Wastewater System in 2020 of \$2,022,504 (\$1,326,350 and \$696,154) and \$1,669,423 (\$1,062,350 and \$607,073) in 2019. The Electric System is allocated from the City a portion of the City’s administrative cost. In addition, it was charged expenses by the City’s internal service funds, which provide services to various City departments. Total expenses for these items were approximately \$4,189,000 in 2020 and \$3,880,000 in 2019 and is included in other operating expenses.

10. CONTINGENT LIABILITIES

Litigation. Various claims and lawsuits are pending against the City involving the Electric System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Electric System.

Asset Retirement Obligations. GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the recognition of a liability for an asset retirement obligation (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Recognition of the ARO occurs when the liability is both incurred and reasonable estimable. AN ARO is incurred based on external laws, regulation, or contracts.

The Electric System licenses with the Federal Energy Regulatory Commission for the operation of the Greenup Hydroelectric Plant on the Ohio River and the City of Hamilton Hydroelectric Plant on the Great Miami River state that, upon retirement of the facility, the Commission may require the City to remove any or all structures, equipment, and power lines within the project boundary and take any such other action necessary to restore the project waters, lands, and facilities remaining. At this time, the Electric System has no plans of retiring these plants and therefore is unable to know what the Commission's requirements would be. Due to the lack of specific license requirements for the retiring of the hydroelectric plants, the Electric System has determined that the amount of any asset retirement obligation liability cannot be reasonably estimated.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Electric System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. JOINT VENTURES/JOINTLY GOVERNED ORGANIZATIONS

The City of Hamilton is a member of a number of Governmental Joint Ventures and Jointly Governed Organizations as described in GASB Statement No. 61, *The Financial Reporting Entity*. The following is a list of organizations and a brief description of the Joint Venture and the Jointly Governed Organizations pertaining specifically to the Electric System of the City.

(a) AMP, Inc. – The City is a founding member of American Municipal Power, Inc. (AMP). AMP is a non-profit corporation organized under Ohio law and Internal Revenue Code Section 501 and is a jointly governed organization. The organization operates on a non-profit basis for the mutual benefit of its member municipalities, all of whom own or operate a municipal electric system. The non-profit corporation is dedicated to providing member assistance and low-cost power supplies.

The controlling board of AMP, Inc. is based upon a representative from several of the member communities. The degree of control exercised by any participating government is limited to its representation on the board. The continued existence of the corporation is not dependent upon the City. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43229.

(b) American Municipal Power (AMP) – OMEGA JV2 Project – In December 2000, the City became a part of the OMEGA (Ohio Municipal Energy Generation Association) JV2 Project. The OMEGA JV2 project is a joint venture among the City of Hamilton and 35 other participating municipalities created under the auspices of the Ohio Constitution section XVIII, Sections 3 and 4 and Ohio Revised Code Section 715.02. All of the participating communities are members of AMP, Inc. and the joint venture has appointed that non-profit corporation to perform certain management functions.

The purpose of the joint venture is to create distributive generation among the participating members allowing for increased electric production capacity during peak demand. The degree of control exercised by any participating member is weighted in proportion to each participant's project share, which is 23.87 percent for the City (a non-majority voting position). Project share is equal to the amount of the distributive generation capacity for each of the members. Membership in the joint venture is defined as financing or non-financing participant, as well as owner or purchasing participant, for which the City qualified as a financing, purchasing participant. As a financing participant, the City makes payments to OMEGA JV2.

The continued existence of OMEGA JV2 is dependent upon the City's continued participation but the City, as a financing purchasing participant, does not have an equity interest in OMEGA JV2. Complete financial statements may be obtained from AMP, Inc., 1111 Schrock Road, Columbus, Ohio 43219.

(c) Meldahl Hydroelectric Project – AMP constructed a three-unit hydroelectric generation facility on the Captain Anthony Meldahl Locks and Dam, an existing dam, on the Ohio River, constructed by the United States Army Corps of Engineers and of related equipment and associated transmission facilities (the "Meldahl Project"). Now that the Meldahl Project has entered commercial operation, it has a generating capacity of approximately 105 MW. The City of Hamilton and AMP hold, as co-licensees, the Federal Energy Regulatory Commission license to operate the Meldahl Project.

The City of Hamilton has executed a take-or-pay power sales contract with AMP for a Project Share of 54 MW, or 51.4 percent, of capacity and associated energy from the Meldahl Project.

Pursuant to the various agreements between the City of Hamilton and AMP, the Meldahl Project is owned by Meldahl, LLC, a single member, Delaware not-for-profit limited liability company ("Meldahl LLC"). AMP is the sole member of Meldahl, LLC and appoints three members of its Board of Directors (the Meldahl Board). AMP acting as agent of Meldahl LLC, has financed the development, acquisition, construction and equipping of the Meldahl Project. In order to finance the construction of the Meldahl Project and related costs, in 2010 and 2011 AMP issued six series of \$685,100,000 consisting of taxable, tax-exempt and tax advantaged obligations (Build America Bonds, Clean Renewable Energy Bonds and New Clean Renewable Energy Bonds). The Meldahl Bonds are secured by a master trust indenture and payable from amounts received by AMP under a take-or-pay power sales contract with 48 of its Members. The Meldahl Project entered commercial operation on April 12, 2016.

13. CONTRACTUAL COMMITMENTS

At December 31, 2020, the Electric System had contractual commitments of approximately \$8,285,000 related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the Electric System operations.

14. CLOSURE OF THE ELECTRIC SYSTEM TO COMPETITION

In March 2002, the Hamilton City Council adopted an ordinance effectively closing the municipal borders of the City to electric deregulation. With the adoption of the ordinance, electric customers within these corporate boundaries must purchase their electricity from the Hamilton Electric System.

**CITY OF HAMILTON - ELECTRIC SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN MEASUREMENT PERIODS**

	Electric System's Proportion of the Net Pension Liability	Electric System's Proportionate Share of the Net Pension Liability	Electric System's Covered Payroll	Electric System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0568681%	\$ 6,707,570	\$ 6,440,385	104.15%	86.36%
2015	0.0568681%	6,858,924	6,999,658	97.99%	86.45%
2016	0.0516665%	8,949,281	6,614,758	135.29%	81.08%
2017	0.0533571%	12,116,488	6,743,650	179.67%	77.25%
2018	0.0561443%	8,807,947	7,559,592	116.51%	84.66%
2019	0.0594718%	16,288,107	7,568,371	215.21%	74.70%
2020	0.0605239%	11,962,955	8,376,079	142.82%	82.17%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST EIGHT YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Electric System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 837,250	\$ (837,250)	\$ -	\$ 6,440,385	13.00%
2014	839,959	(839,959)	-	6,999,658	12.00%
2015	793,771	(793,771)	-	6,614,758	12.00%
2016	809,238	(809,238)	-	6,743,650	12.00%
2017	982,747	(982,747)	-	7,559,592	13.00%
2018	1,059,572	(1,059,572)	-	7,568,371	14.00%
2019	1,172,651	(1,172,651)	-	8,376,079	14.00%
2020	1,208,071	(1,208,071)	-	8,629,079	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Change in COLA from 3.00% to 1.40% for post 1/7/2013 retirees.

**CITY OF HAMILTON - ELECTRIC SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST FOUR MEASUREMENT PERIODS**

	Electric System's Proportion of the Net OPEB Liability	Electric System's Proportionate Share of the Net OPEB Liability	Electric System's Covered Payroll	Electric System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0532705%	\$ 5,380,506	\$ 6,743,650	79.79%	54.05%
2018	0.0568005%	6,168,113	7,559,592	81.59%	54.14%
2019	0.0602395%	7,853,807	7,568,371	103.77%	46.33%
2020	0.0615326%	8,499,247	8,376,079	101.47%	47.80%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FIVE YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Electric System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 134,873	\$ (134,873)	\$ -	\$ 6,743,650	2.00%
2017	75,596	(75,596)	-	7,559,592	1.00%
2018	-	-	-	7,568,371	0.00%
2019	-	-	-	8,376,079	0.00%
2020	-	-	-	8,629,079	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

2020: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%
- Change in health care cost trend rate from 10.0% to 10.5%
- The municipal bond rate changed from 3.71% to 2.75%

**CITY OF HAMILTON - ELECTRIC SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
LAST FOUR YEARS**

	Electric System's Proportion Total OPEB Liability	Electric System's Covered- Employee Payroll	Electric System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 7,559,592	3.67%
2018	265,451	\$ 7,568,371	3.51%
2019	300,592	\$ 8,376,079	3.59%
2020	326,308	\$ 8,629,079	3.78%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
LAST THREE YEARS**

	2020	2019	2018
Beginning Total OPEB Liability	\$ 300,592	\$ 265,451	\$ 277,234
Service Cost	3,676	2,937	3,100
Interest	8,028	9,762	9,412
Difference between expected and actual experience	4,383	6,383	3,947
Changes in assumptions	27,073	33,317	(11,462)
Benefit payments	(17,444)	(17,258)	(16,780)
Ending Total OPEB Liability	\$ 326,308	\$ 300,592	\$ 265,451

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018 and 2019.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF HAMILTON, OHIO – GAS SYSTEM
BUTLER COUNTY
FINANCIAL AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 33
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	34
Schedule of Pension Contributions	34
Schedule of the Proportionate Share of the Net OPEB Liability.....	35
Schedule of OPEB Contributions	35
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	36

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Gas System, an enterprise fund of the City of Hamilton, Ohio (the Gas System), as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Gas System as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Gas System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Gas System's financial performance provide an overall review of that system's financial activities for the years ended December 31, 2020 and 2019. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position, Revenues, Expenses and Changes in Net Position, and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2020 and 2019 are as follows:

- ❑ The assets and deferred outflow of resources of the Hamilton Gas System exceeded its liabilities and deferred inflows of resources at the close of 2020 and 2019 by \$31,457,735 and \$32,542,520 (net position), respectively. Of these amounts, \$992,970 and \$1,460,088 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- ❑ The system's total net position decreased by \$1,084,785 between 2020 and 2019, representing 3.3% decrease.
- ❑ In 2020, the Gas System's total long-term debt decreased during 2020 by \$605,000 to \$5,775,000 due to making annual debt service payments.

Gas System Summary

The City has owned and operated a natural gas utility system since 1890. It is currently the largest municipal gas distribution operation in Ohio and serves approximately 23,500 customers located in the City and the immediate environs through approximately 275 miles of pipe. The City purchases natural gas from a supplier, then resells the gas to residential and general service (commercial and industrial) customers. The City also provides distribution delivery service to customers who have contracted with either the City or a natural gas supplier.

The Gas System provides full service (acquisition of gas supply, transportation of the gas supply to the City's interconnections and distribution of gas supply from the City's interconnections to the customer meter) and distribution delivery service (distribution delivery of the gas arranged for by, or on behalf of, the customer from the City's interconnections to the customer's meter.) Currently, the Gas System provides full service to residential and general service customers.

There are no franchise service territories for natural gas utilities in Ohio and the City is not prohibited from providing gas service in areas outside its corporate limits. Under the Ohio Constitution, however, the City's gas utility sales outside the corporate limits may not exceed 50% of the total service supplied within the City's corporate limits. Currently, less than 1% of the City's total gas sales are to customers located outside the City's corporate limits.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The City is a participant, with other AMP communities in the AMP Fremont Energy Center (AFEC). The City is entitled to 11.55 MW of capacity from AFEC. Additionally, the City began utilizing its buying power through the Muni-Gas Program, in 2013, to serve as a gas supply intermediary for the City's allocation of gas at AFEC. The City passes along 50% of the savings from the Muni-Gas Discount to AFEC and retains the other 50% for Hamilton Gas System. In 2020, the Gas System sold 963,882 Dths to AFEC, via The Energy Authority, totaling \$1.5 million, or approximately \$1.72/Dth. These sales to AFEC netted approximately \$144,600 for the Gas System.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Gas System for the years ended December 31, 2020 and 2019.

Reporting Hamilton's Gas System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Gas System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Gas System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2020 and 2019. The City of Hamilton's Gas System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Gas Fund are restricted to Gas System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Gas Fund and asks the question, "How did we do financially during 2020 and 2019?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, liabilities, and deferred inflows of resources of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in the net positions. The change in net position is important because it tells the reader whether, for the System, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Gas System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Gas System charges fees to recoup the cost of the entire operation of the Gas System as well as all capital expenses associated with these facilities.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Gas Fund, assets and deferred outflow of resources exceeded liabilities and deferred inflows of resources by \$31,457,735 and \$32,542,520 as of December 31, 2020 and 2019, respectively. By far the largest portion of the net position of the Gas System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that is still outstanding. The ratios of net investment in capital assets to total net position are as follows: 90% for 2020, 88% for 2019, and 90% for 2018. The System employs these assets in the delivery of natural gas to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and the resources needed to repay these debts must be provided from other sources, primarily the revenues of the System, since the capital assets themselves cannot be used to liquidate the liabilities.

Table 1 provides a summary of the Gas System's Statement of Net Position for the Years Ended December 31, 2020, 2019 and 2018:

	2020	2019	2018
Current and other assets	\$ 11,036,136	\$ 11,529,343	\$ 11,233,625
Capital assets	33,104,915	33,551,244	34,061,881
Total assets	<u>44,141,051</u>	<u>45,080,587</u>	<u>45,295,506</u>
Deferred outflows of resources	885,844	1,368,588	905,020
Long-term liabilities:			
Net pension liability	2,344,239	3,108,207	1,739,203
OPEB liabilities	1,991,804	1,799,308	1,483,397
Other long-term amounts	5,292,121	5,909,755	6,525,244
Other liabilities	3,202,625	3,038,030	3,701,245
Total liabilities	<u>12,830,789</u>	<u>13,855,300</u>	<u>13,449,089</u>
Deferred inflows of resources	738,371	51,355	512,372
Net investment in capital assets	28,464,765	28,582,432	28,892,737
Restricted	2,000,000	2,500,000	2,500,049
Unrestricted	992,970	1,460,088	846,279
Total net position	<u>\$ 31,457,735</u>	<u>\$ 32,542,520</u>	<u>\$ 32,239,065</u>

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The net pension liability (NPL) is reported by the Gas System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Gas System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Gas System's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the net pension and net OPEB liabilities reported in the Gas System's financial statements as a result of the Gas System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Gas System's financial statements reflects OPEB benefits provided by the Gas System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*. GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Gas System's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Gas System is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Gas System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As of December 31, 2020 and 2019, the Gas System was able to report a positive balances in net position of \$31,457,735 and \$32,542,520, respectively. In 2020, the Gas System reported a decrease in net position of \$1,084,785, an increase of \$303,455 in 2019, and a decrease of \$755,105 in 2018. In 2020, the Gas System reported an operating loss of \$1,006,258, operating income of \$305,996 in 2019, and an operating loss of \$586,573 in 2018. Net operating loss of \$1,006,258 is a decrease of \$1,312,254 from 2019 to 2020. The decrease in operating revenues and expenses in 2020 was attributable to a milder winter resulting in less customer usage and less expensive unit cost, similar from the decrease from 2018 to 2019. Net non-operating expenses of \$78,527 decreased by \$75,986, primarily due to reinvestment at lower rates of return.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating revenues	\$ 17,849,755	\$ 21,076,426	\$ 21,756,412
Operating expenses:			
Purchased gas	8,205,843	10,660,616	12,393,501
Depreciation	2,126,168	2,059,407	2,193,772
Other operating expenses	8,524,002	8,050,407	7,755,712
Total operating expenses	<u>18,856,013</u>	<u>20,770,430</u>	<u>22,342,985</u>
Operating income (loss)	(1,006,258)	305,996	(586,573)
Non-Operating revenues (expenses)			
Interest and fiscal charges	(195,047)	(213,621)	(191,836)
Loss on disposal of capital assets	(16,660)	(16,984)	(99,823)
Other non-operating revenues	133,180	228,064	123,127
Total non-operating revenues (expenses)	<u>(78,527)</u>	<u>(2,541)</u>	<u>(168,532)</u>
Change in net position	(1,084,785)	303,455	(755,105)
Beginning net position	<u>32,542,520</u>	<u>32,239,065</u>	<u>32,994,170</u>
Ending net position	<u>\$ 31,457,735</u>	<u>\$ 32,542,520</u>	<u>\$ 32,239,065</u>

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Gas System as of December 31, 2020, 2019, and 2018 amounted to \$28.5 million, \$28.6 million and \$28.9 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment. Significant capital activity during the year included gas main and meter replacements.

Note 5 (Capital Assets) provides Gas System capital asset activity during 2020 and 2019.

Debt Administration: At the end of 2020, the Gas System had two outstanding long-term revenue bond issues. The 2017 Gas System Revenue Refunding and Improvement Bonds, which had an outstanding balance of \$4,170,000 as of December 31, 2020, was issued to refund the Series 2009 Revenue bonds and provided \$1,960,000 in new financing for Gas System improvements. The 2018 Gas System Revenue Improvement Bonds of \$1,605,000 were issued in August 2018 to provide funding for the Lindenwald gas main replacement project.

See Note 6 for a discussion of outstanding Gas System bonds and related activity.

City of Hamilton, Ohio

Gas System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Economic Factors and Future Trends

The City's Gas System is continually monitoring the cost of natural gas. Due to high volatility in the cost of natural gas, the City is required by both ordinance and indentures to pass through these gas costs to its customers via the gas cost recovery charge (GCR). The GCR averaged a credit of \$0.05/Ccf for 2020. In 2017, the City entered a five-year fixed price contract for natural gas to help mitigate the natural gas prices for its customers. The overall number of customers has remained relatively steady while, like most gas systems, the usage per residential customer has continued to slowly decline as a result of improved efficiency of appliances.

In September 2011, City Council adopted an ordinance, creating the Natural Gas Residential Service Line Maintenance (RSLM) Program and Rider C for the Gas System. The RSLM and Rider C charges apply only to the City's residential gas accounts. The RSLM and funds collected through Rider C are earmarked for two separate and distinct activities: the replacement of Design A (field-assembled risers), in compliance with a Public Utilities Commission of Ohio (PUCO) Statewide order, and the assumption of the maintenance responsibility of gas service lines to residential customers by the City. The riser replacement portion of the RSLM was scheduled to be a five-year program, with a corresponding five-year collection period through Rider C. Beginning with the rates adopted in December 2017, all riser replacement costs are being collected in the base gas service rates to more accurately reflect the cost of service. Furthermore, the Rider C charge was set to zero at the time of the first step of the two-year plan in 2018.

Natural gas prices have reduced recently due to extraction of shale gas and reduced demand. The City continues to monitor potential threats to supply and the City's Gas System has continued its strong financial performance into 2020. The City maintains an A1 bond rating with a stable outlook for its Gas System and its 2009 Gas System Revenue Bonds.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Gas System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – GAS SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and investments	\$ 5,449,582	5,325,369
Accounts receivable (less allowance for uncollectible accounts of \$685,707 and \$2,379,673, respectively)	3,316,555	3,432,027
Interest receivable	9,350	15,464
Inventory of supplies at cost	166,682	176,047
Prepaid expenses	93,967	80,436
Total current assets	<u>9,036,136</u>	<u>9,029,343</u>
Restricted assets:		
Cash and investments	<u>2,000,000</u>	<u>2,500,000</u>
Noncurrent assets:		
Nondepreciable capital assets	3,807,915	2,710,070
Depreciable capital assets, net	<u>29,297,000</u>	<u>30,841,174</u>
Total noncurrent assets	<u>33,104,915</u>	<u>33,551,244</u>
Total assets	<u>44,141,051</u>	<u>45,080,587</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	208,325	238,085
Pension	361,940	954,451
OPEB	<u>315,579</u>	<u>176,052</u>
Total deferred outflows of resources	<u>885,844</u>	<u>1,368,588</u>
LIABILITIES		
Current liabilities:		
Accounts payable	1,513,334	1,303,869
Accrued wages and benefits	63,181	93,873
Intergovernmental payable	31,108	31,164
Accrued interest payable	33,363	36,490
Customer deposits payable	753,140	783,808
Compensated absences payable-current	188,499	183,826
Revenue bonds payable-current	<u>620,000</u>	<u>605,000</u>
Total current liabilities	<u>3,202,625</u>	<u>3,038,030</u>
Noncurrent liabilities:		
Compensated absences payable	137,121	134,755
Revenue bonds payable	5,155,000	5,775,000
Net pension liability	2,344,239	3,108,207
Net OPEB liability	1,665,496	1,498,716
Total OPEB liability	<u>326,308</u>	<u>300,592</u>
Total noncurrent liabilities	<u>9,628,164</u>	<u>10,817,270</u>
Total liabilities	<u>12,830,789</u>	<u>13,855,300</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	497,260	40,810
OPEB	<u>241,111</u>	<u>10,545</u>
Total deferred inflows of resources	<u>738,371</u>	<u>51,355</u>
NET POSITION		
Net investment in capital assets	28,464,765	28,582,432
Restricted for rate stabilization	2,000,000	2,500,000
Unrestricted	<u>992,970</u>	<u>1,460,088</u>
Total net position	<u>\$ 31,457,735</u>	<u>32,542,520</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - GAS SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 17,848,021	21,021,603
Other operating revenues	<u>1,734</u>	<u>54,823</u>
Total operating revenues	<u>17,849,755</u>	<u>21,076,426</u>
Operating expenses:		
Personal services	3,080,517	3,076,586
Materials and supplies	176,923	213,164
Contractual services	1,627,947	1,216,223
Purchased gas	8,205,843	10,660,616
Depreciation	2,126,168	2,059,407
Other operating expenses	<u>3,638,615</u>	<u>3,544,434</u>
Total operating expenses	<u>18,856,013</u>	<u>20,770,430</u>
Operating income (loss)	(1,006,258)	305,996
Non-operating revenues (expenses):		
Investment earnings	133,180	228,064
Loss on disposal of capital assets	(16,660)	(16,984)
Interest and fiscal charges	<u>(195,047)</u>	<u>(213,621)</u>
Total non-operating revenues (expenses)	<u>(78,527)</u>	<u>(2,541)</u>
Change in net position	(1,084,785)	303,455
Net position - beginning of year	<u>32,542,520</u>	<u>32,239,065</u>
Net position - end of year	\$ <u>31,457,735</u>	<u>32,542,520</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - GAS SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 17,965,227	21,110,804
Cash paid for employee services and benefits	(2,538,016)	(2,261,679)
Cash paid to suppliers for goods and services	<u>(13,617,668)</u>	<u>(16,313,440)</u>
Net cash from operating activities	<u>1,809,543</u>	<u>2,535,685</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisition	(1,551,210)	(1,617,577)
Debt proceeds	-	-
Debt principal payments	(605,000)	(585,000)
Debt interest payments	<u>(168,414)</u>	<u>(188,133)</u>
Net cash from capital and related financing activities	<u>(2,324,624)</u>	<u>(2,390,710)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>139,294</u>	<u>230,136</u>
Net cash flow from investing activities	<u>139,294</u>	<u>230,136</u>
Net change in cash and investments	(375,787)	375,111
Cash and investments at beginning of year	<u>7,825,369</u>	<u>7,450,258</u>
Cash and investments at end of year	\$ <u>7,449,582</u>	<u>7,825,369</u>
Reconciliation of operating income (loss) to net cash from operating activities		
Operating income (loss)	\$ (1,006,258)	305,996
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	2,126,168	2,059,407
Change in deferred outflows-pension and OPEB	452,984	(493,328)
Change in deferred inflows-pension and OPEB	687,016	(461,017)
Changes in Assets and Liabilities:		
(Increase) decrease in receivables	115,472	34,378
(Increase) decrease in inventory	9,365	2,754
(Increase) decrease in prepaid items	(13,531)	40,189
Increase (decrease) in customer deposits payable	(30,668)	(3,449)
Increase (decrease) in payables	64,176	(719,143)
Increase (decrease) in accrued liabilities	(23,653)	59,733
Increase (decrease) in intergovernmental payables	(56)	25,250
Increase (decrease) in net pension liability	(763,968)	1,369,004
Increase (decrease) in net OPEB liability	166,780	280,770
Increase (decrease) in total OPEB liability	<u>25,716</u>	<u>35,141</u>
Net cash from operating activities	\$ <u>1,809,543</u>	<u>2,535,685</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	\$ <u>173,733</u>	<u>28,444</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – GAS SYSTEM

Notes to Financial Statements Year Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Gas System (Gas System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Gas System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Gas System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Gas System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Gas System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Gas System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Gas System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Compensated Absences – The Gas System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Gas System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued, and the obligation is incurred. For purposes of measuring the net pension liability and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Gas System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Gas System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Gas System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Gas System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Gas System totaled \$7,449,582 and \$7,825,369 at December 31, 2020 and 2019, respectively, and consisted of demand deposits, money market funds, commercial paper, marketable CD's, municipal bonds, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio).

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company and is recognized as an external investment pool by the City. Investments in STAR Ohio are measured at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2020 and 2019, approximately 96% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Gas System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Gas System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Gas Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S. agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Gas System, are invested primarily in U.S. governmental agency securities with an AA+ credit rating and an average maximum maturity of 1.82 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Earned and unbilled consumer accounts	\$ 2,232,999	1,996,270
Earned and billed consumer accounts	1,769,263	3,815,430
Less allowance for uncollectible accounts	<u>(685,707)</u>	<u>(2,379,673)</u>
Total	<u>\$ 3,316,555</u>	<u>3,432,027</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$2,000,000 and \$2,500,000 at December 31, 2020 and 2019, respectively.

This space intentionally left blank.

5. CAPITAL ASSETS

Capital asset activity for the years ended December 31, 2020 and 2019 was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
<i>Capital assets not being depreciated:</i>				
Land	\$ 710,882	\$ -	\$ -	\$ 710,882
Construction in progress	<u>1,999,188</u>	<u>1,120,689</u>	<u>(22,844)</u>	<u>3,097,033</u>
Subtotal	<u>2,710,070</u>	<u>1,120,689</u>	<u>(22,844)</u>	<u>3,807,915</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,339,113	-	-	1,339,113
Machinery and equipment	<u>80,507,642</u>	<u>598,654</u>	<u>(51,216)</u>	<u>81,055,080</u>
Subtotal	<u>81,846,755</u>	<u>598,654</u>	<u>(51,216)</u>	<u>82,394,193</u>
Totals at historical cost	<u>84,556,825</u>	<u>1,719,343</u>	<u>(74,060)</u>	<u>86,202,108</u>
Less accumulated depreciation:				
Buildings and improvements	964,205	77,997	-	1,042,202
Machinery and equipment	<u>50,041,376</u>	<u>2,048,171</u>	<u>(34,556)</u>	<u>52,054,991</u>
Total accumulated depreciation	<u>51,005,581</u>	<u>2,126,168</u>	<u>(34,556)</u>	<u>53,097,193</u>
Capital assets, net	<u>\$ 33,551,244</u>	<u>\$ (406,825)</u>	<u>\$ (39,504)</u>	<u>\$ 33,104,915</u>
	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Capital assets not being depreciated:</i>				
Land	\$ 710,882	\$ -	\$ -	\$ 710,882
Construction in progress	<u>2,927,728</u>	<u>42,217</u>	<u>(970,757)</u>	<u>1,999,188</u>
Subtotal	<u>3,638,610</u>	<u>42,217</u>	<u>(970,757)</u>	<u>2,710,070</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	1,339,113	-	-	1,339,113
Machinery and equipment	<u>78,267,215</u>	<u>2,494,294</u>	<u>(253,867)</u>	<u>80,507,642</u>
Subtotal	<u>79,606,328</u>	<u>2,494,294</u>	<u>(253,867)</u>	<u>81,846,755</u>
Totals at historical cost	<u>83,244,938</u>	<u>2,536,511</u>	<u>(1,224,624)</u>	<u>84,556,825</u>
Less accumulated depreciation:				
Buildings and improvements	885,666	78,539	-	964,205
Machinery and equipment	<u>48,297,391</u>	<u>1,980,868</u>	<u>(236,883)</u>	<u>50,041,376</u>
Total accumulated depreciation	<u>49,183,057</u>	<u>2,059,407</u>	<u>(236,883)</u>	<u>51,005,581</u>
Capital assets, net	<u>\$ 34,061,881</u>	<u>\$ 477,104</u>	<u>\$ (987,741)</u>	<u>\$ 33,551,244</u>

6. LONG TERM DEBT

In August 2017, the Gas System defeased \$4,250,000 of Gas System Revenue Bonds through the issuance of \$5,840,000 of Revenue Refunding Bonds. A portion of the net proceeds of the 2017 Bonds were used to make current payments on the old bonds and the remaining proceeds have been invested in obligations guaranteed as to both principal and interest by the United States and placed in irrevocable escrow accounts which, including interest earned, will be used to pay the principal and interest on the refunded bonds. The refunded bonds, which have an outstanding balance of \$3,445,000 at December 31, 2020, are not included in the Gas System's outstanding debt since the Gas System has in-substance satisfied its obligations through the advance refunding.

In August 2018, the Gas System issued \$1,720,000 in Series 2018 Gas System Improvement Bonds to provide funding for Gas System distribution improvements. The bonds fully mature on October 15, 2038 and bear interest of 3.8 percent per annum.

Activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
2017 Refunding Bonds	\$ 4,715,000	\$ -	\$ (545,000)	\$ 4,170,000	\$ 555,000
2018 Revenue Bonds	1,665,000	-	(60,000)	1,605,000	65,000
Compensated absences	318,581	190,865	(183,826)	325,620	188,499
	<u>\$ 6,698,581</u>	<u>\$ 190,865</u>	<u>\$ (788,826)</u>	<u>\$ 6,100,620</u>	<u>\$ 808,499</u>

Activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
2017 Refunding Bonds	\$ 5,245,000	\$ -	\$ (530,000)	\$ 4,715,000	\$ 545,000
2018 Revenue Bonds	1,720,000	-	(55,000)	1,665,000	60,000
Compensated absences	315,490	173,337	(170,246)	318,581	183,826
	<u>7,280,490</u>	<u>173,337</u>	<u>(755,246)</u>	<u>6,698,581</u>	<u>788,826</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under municipal bond insurance policies. Under the terms of the policies, the payments of principal and interest are guaranteed by the insurer.

Annual debt service requirements to maturity for the refunding bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 620,000	\$ 153,981	\$ 773,981
2022	635,000	139,135	774,135
2023	655,000	123,954	778,954
2024	665,000	108,248	773,248
2025	685,000	92,320	777,320
2026-2030	1,670,000	251,338	1,921,338
2031-2035	500,000	123,690	623,690
2036-2038	<u>345,000</u>	<u>26,600</u>	<u>371,600</u>
Total	<u>\$ 5,775,000</u>	<u>\$ 1,019,266</u>	<u>\$ 6,794,266</u>

7. DEFINED BENEFIT PENSION PLANS

The Gas System contributes to the Ohio Public Employees Retirement.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Gas System’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Gas System’s obligation for this liability to annually required payments. The Gas System cannot control benefit terms or the manner in which pensions are financed; however, the Gas System does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Gas System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Gas System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions as follows for 2020 and 2019:

Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

Actual Contribution Rates

Employer:		
Pension	14.0	%
Post-employment Health Care Benefits	<u>0.0</u>	<u>%</u>
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Gas System's contractually required contributions were \$236,731 and \$223,773 for 2020 and 2019, respectively. Of these amounts, \$8,758 was reported as an intergovernmental payable in 2020 and \$6,810 in 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Gas System's proportion of the net pension liability was based on the Gas System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2020</u>		<u>2019</u>
Proportionate Share of the Net Pension Liability	\$ 2,344,239	\$	3,108,207
Proportion of the Net Pension Liability	0.0118601%		0.0113488%
Change in Proportion	0.0005113%		0.0002626%
Pension Expense	\$ 419,072	\$	712,209

At December 31, 2020 and 2019, the Gas System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 421,871
Gas System change in proportionate share	-	38,087
Changes in assumptions	125,209	270,577
Differences between expected and actual experience	-	143
Gas System contributions subsequent to the measurement date	<u>236,731</u>	<u>223,773</u>
Total Deferred Outflows of Resources	<u>\$ 361,940</u>	<u>\$ 954,451</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 467,622	\$ -
Differences between expected and actual experience	<u>29,638</u>	<u>40,810</u>
Total Deferred Inflows of Resources	<u>\$ 497,260</u>	<u>\$ 40,810</u>

\$236,731 reported as deferred outflows of resources related to pension resulting from the Gas System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:		
2021	\$	(54,716)
2022		(151,023)
2023		19,364
2024		<u>(185,676)</u>
Total	\$	<u>(372,051)</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 1.4 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for vested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Gas System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the Gas System’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Gas System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Gas System's proportionate share of the net pension liability	\$ 3,866,541	\$ 2,344,239	\$ 975,887

8. DEFINED BENEFIT OPEB PLANS

The Gas System contributes to the Ohio Public Employees Retirement System and the City's Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Gas System's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The Gas System cannot control benefit terms or the manner in which OPEB are financed; however, the Gas System does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Gas System's contractually required contributions were \$0 for 2020 and 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Gas System's proportion of the net OPEB liability was based on the Gas System's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net OPEB Liability	\$ 1,665,497	\$ 1,498,716
Proportion of the Net OPEB Liability	0.0120578%	0.0114953%
Change in Proportion	0.0005625%	0.0002796%
OPEB Expense	\$ 133,380	\$ 127,353

At December 31, 2020 and 2019, the Gas System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 68,708
Gas System change in proportionate share	2,086	24,857
Changes in assumptions	263,630	48,320
Differences between expected and actual experience	44	507
Total Deferred Outflows of Resources	<u>\$ 265,760</u>	<u>\$ 142,392</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 84,807	\$ -
Differences between expected and actual experience	152,317	4,066
Total Deferred Inflows of Resources	<u>\$ 237,124</u>	<u>\$ 4,066</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	44,709
2022		19,890
2023		67
2024		<u>(36,030)</u>
Total	\$	<u>28,636</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current measurement period	2.75 percent
Prior measurement period	3.71 percent
Health Care Cost Trend Rate:	
Current measurement period	10.5 percent, initial 3.5 percent, ultimate in 2030
Prior measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.55%</u>

Discount Rate. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Gas System’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Gas System’s proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Gas System’s proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.16 percent) or 1.0 percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Gas System's proportionate share of the net OPEB liability	\$ 2,179,507	\$ 1,665,497	\$ 1,253,855

Sensitivity of the Gas System’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Gas System's proportionate share of the net OPEB liability	\$ 1,616,303	\$ 1,665,497	\$ 1,713,968

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Gas System’s contractually required contributions were \$17,444 in 2020 and \$17,258 in 2019.

At December 31, 2020, the number of plan-wide active participants and retirees were 579 and 657, respectively, and 591 and 650 at December 31, 2019, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan was determined by an actuarial valuation as of December 31, 2020. Following is information related to the changes in total OPEB liability:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability, beginning of year	\$ 300,592	\$ 265,451
Service cost	3,676	2,937
Interest	8,028	9,762
Difference between expected and actual experience	4,383	6,383
Changes in assumptions	27,073	33,317
Benefit payments	<u>(17,444)</u>	<u>(17,258)</u>
Total OPEB Liability, end of year	<u>\$ 326,308</u>	<u>\$ 300,592</u>
Retiree Life Insurance Plan OPEB expense	\$7,065	\$2,078

At December 31, 2020 and 2019, the Gas System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 41,199	\$ 26,376
Differences between expected and actual experience	<u>8,620</u>	<u>7,284</u>
Total Deferred Outflows of Resources	<u>\$ 49,819</u>	<u>\$ 33,660</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 3,987</u>	<u>\$ 6,479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	12,805
2022		13,459
2023		12,785
2024		6,168
2025		<u>615</u>
Total	\$	<u>45,832</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Single Discount Rate:	
Current measurement date	2.00 percent
Prior measurement date	2.75 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pub-2010 General/Public Safety
Retired	Pub-2010 General Retiree
Disabled	Pub-2010 General Disabled Retiree
Weighting	Headcount-weighted
Future Improvement	Projected generationally using Scale MP-2020

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Gas System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.00 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00 percent) and one-percentage-point higher (3.00 percent) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 372,228	\$ 326,308	\$ 288,851

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Gas System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Gas System.

10. RELATED PARTY TRANSACTIONS

The Gas System sells gas to the City’s Electric System for use in the generation of electricity. Revenues of approximately \$67,000 and \$151,000 from the Electric System to the Gas System are included in operating revenues in 2020 and 2019, respectively.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds that provide services to various City departments. Charges to the Gas System for these services were approximately \$3,916,000 in 2020 and \$3,789,000 in 2019 and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Gas System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials’ errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. CONTRACTUAL COMMITMENTS

At December 31, 2020, the Gas System had a contractual commitment related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the operations of approximately \$582,000.

**CITY OF HAMILTON - GAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN MEASUREMENT PERIODS**

	Gas System's Proportion of the Net Pension Liability	Gas System's Share of the Net Pension Liability	Gas System's Covered Payroll	Gas System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0101489%	\$ 1,198,966	\$ 1,116,600	107.38%	86.36%
2015	0.0101489%	1,224,067	1,251,175	97.83%	86.45%
2016	0.0099057%	1,715,789	1,165,042	147.27%	81.08%
2017	0.0098227%	2,230,562	1,292,917	172.52%	77.25%
2018	0.0110862%	1,739,203	1,391,669	124.97%	84.66%
2019	0.0113488%	3,108,207	1,494,436	207.99%	74.70%
2020	0.0118601%	2,344,239	1,598,379	146.66%	82.17%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST EIGHT YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Gas System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 145,158	\$ (145,158)	\$ -	\$ 1,116,600	13.00%
2014	150,141	(150,141)	-	1,251,175	12.00%
2015	139,805	(139,805)	-	1,165,042	12.00%
2016	155,150	(155,150)	-	1,292,917	12.00%
2017	180,917	(180,917)	-	1,391,669	13.00%
2018	209,221	(209,221)	-	1,494,436	14.00%
2019	223,773	(223,773)	-	1,598,379	14.00%
2020	236,731	(236,731)	-	1,690,936	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2020.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Change in COLA from 3.00% to 1.40% for post 1/7/2013 retirees.

**CITY OF HAMILTON - GAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST FOUR MEASUREMENT PERIODS**

	Gas System's Proportion of the Net OPEB Liability	Gas System's Share of the Net OPEB Liability	Gas System's Covered Payroll	Gas System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0105187%	\$ 1,062,426	\$ 1,292,917	82.17%	54.05%
2018	0.0112157%	1,217,946	1,391,669	87.52%	54.14%
2019	0.0114953%	1,498,716	1,494,436	100.29%	46.33%
2020	0.0120578%	1,665,497	1,598,379	104.20%	47.80%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FIVE YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Gas System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 25,858	\$ (25,858)	\$ -	\$ 1,292,917	2.00%
2017	13,917	(13,917)	-	1,391,669	1.00%
2018	-	-	-	1,494,436	0.00%
2019	-	-	-	1,598,379	0.00%
2020	-	-	-	1,690,936	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

2020: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%
- Change in health care cost trend rate from 10.0% to 10.5%
- The municipal bond rate changed from 3.71% to 2.75%

**CITY OF HAMILTON - GAS SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
LAST FOUR YEARS**

	Gas System's Proportion Total OPEB Liability	Gas System's Covered- Employee Payroll	Gas System's Proportionate Gas System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 1,391,669	19.92%
2018	265,451	1,494,436	17.76%
2019	300,592	1,598,379	18.81%
2020	326,308	1,690,936	19.30%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
LAST THREE YEARS**

	2020	2019	2018
Beginning Total OPEB Liability	\$ 300,592	\$ 265,451	\$ 277,234
Service Cost	3,676	2,937	3,100
Interest	8,028	9,762	9,412
Difference between expected and actual experience	4,383	6,383	3,947
Changes in assumptions	27,073	33,317	(11,462)
Benefit payments	(17,444)	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 326,308</u>	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018-2020.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM
BUTLER COUNTY
FINANCIAL AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 35
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	36
Schedule of Pension Contributions	36
Schedule of the Proportionate Share of the Net OPEB Liability.....	37
Schedule of OPEB Contributions	37
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	38

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Wastewater System, an enterprise fund of the City of Hamilton, Ohio (the Wastewater System), as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Wastewater System as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Wastewater System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Wastewater System's financial performance provide an overall review of that System's financial activities for the years ended December 31, 2020 and 2019. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2020 are as follows:

- The assets and deferred outflows of resources of the Hamilton Wastewater System exceed its liabilities and deferred inflows of resources at the close of 2020 and 2019 by \$25,711,379 and \$25,647,080 (net position), respectively. Of these amounts, \$11,015,404 and \$12,537,025 (unrestricted net position) in those years were available to meet the System's ongoing obligations to customers and creditors.
- The System's total net position increased by \$64,299 between 2020 and 2019, representing a 0.25% increase.
- In 2020, the Wastewater System's long-term debt decreased by \$2,038,365 due to meeting debt service requirements.

Wastewater System Summary

The City of Hamilton, Ohio owns and operates the Wastewater System, serving approximately 23,100 customers. The System consists of the treatment plant and sanitary sewer. The initial sludge plant was placed in service in 1959. In 1978, the Wastewater System was expanded to provide complete treatment services and an expansion of treatment facilities was completed during 2002.

The treatment plant, known as the Wastewater Reclamation Facility (WRF), is able to fully treat 32 MGD, the capacity of the WRF secondary treatment process. Wastewater flows in excess of 32 MGD receive only partial treatment. The stormwater train provides only primary treatment. The stormwater train's effluent is currently blended with fully treated flow from the wastewater train prior to disinfection, dechlorination and discharge to the Great Miami River.

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Wastewater System for the years ended December 31, 2020 and 2019.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Reporting Hamilton's Wastewater System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Wastewater System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Wastewater System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2020 and 2019. The City of Hamilton's Wastewater System is reported as a business-type, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Wastewater Fund are restricted to Wastewater System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Wastewater Fund and asks the question, "How did we do financially during 2020 and 2019?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources and liabilities of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the changes in net position. The change in net position is important because it tells the reader whether, for the System, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Wastewater System's Financial Statements provide additional information that is essential to a full understanding of the data provided. The System provides services that have a charge based upon the amount of usage. The City's Wastewater System charges fees to recoup the cost of the entire operation of the Wastewater System as well as all capital expenses associated with these facilities.

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Wastewater Fund, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$25,711,379, \$25,647,080, and \$25,492,527 as of December 31, 2020, 2019, and 2018, respectively. One of the largest portions of the net position of the Wastewater System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The ratios of net investment in capital assets to total net position are as follows: 46% for 2020, 40% for 2019, and 38% for 2018. The System employs these assets in the treatment and collection of sanitary sewer flow; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, because the capital assets themselves cannot be used to liquidate the liabilities.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Table 1 provides a summary of the Wastewater System's Statement of Net Position for the Years Ended December 31, 2020, 2019, and 2018.

	2020	2019	2018
Current and other assets	\$ 20,822,656	\$ 21,027,151	\$ 20,924,093
Capital assets	57,227,828	57,692,272	59,610,562
Total assets	<u>78,050,484</u>	<u>78,719,423</u>	<u>80,534,655</u>
Deferred outflows of resources	1,008,785	1,415,902	796,097
Long-term liabilities:			
Net pension liability	2,651,956	3,069,559	1,734,709
OPEB liabilities	2,210,428	1,780,674	1,480,251
Other long-term amounts	43,738,344	46,211,338	48,821,037
Other liabilities	3,912,392	3,375,877	3,290,685
Total liabilities	<u>52,513,120</u>	<u>54,437,448</u>	<u>55,326,682</u>
Deferred inflows of resources	834,770	50,797	511,543
Net investment in capital assets	11,818,895	10,335,181	9,566,844
Restricted	2,877,080	2,774,874	4,103,600
Unrestricted	11,015,404	12,537,025	11,822,083
Total net position	<u>\$ 25,711,379</u>	<u>\$ 25,647,080</u>	<u>\$ 25,492,527</u>

The net pension liability (NPL) is reported by the Wastewater System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Wastewater System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Wastewater System's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the net pension and net OPEB liabilities reported in the Wastewater System's financial statements as a result of the Wastewater System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Wastewater System's financial statements reflects OPEB benefits provided by the Wastewater System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Governmental Accounting Standards Board (GASB) standards are national and apply to all government financial reports prepared in accordance with generally accepted accounting principles. Prior accounting for pensions (GASB Statement No. 27) and postemployment benefits (GASB Statement No. 45) focused on a funding approach. This approach limited pension and OPEB costs to contributions annually required by law, which may or may not be sufficient to fully fund each plan's *net pension liability* or *net OPEB liability*.

GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Wastewater System's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
2. Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Wastewater System is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Wastewater System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

As of December 31, 2020, 2019, and 2018, the Wastewater System is able to report positive balances in net position. The Wastewater System reported operating income of \$1,027,032, \$1,508,002, and \$1,418,170 in 2020, 2019, and 2018, respectively. The Wastewater System experienced a 3.3% increase in usage in 2020. Net non-operating expenses of \$962,733 decreased by \$390,716 in 2020, primarily due to a decrease in interest costs associated with the refunding of the Series 2009B bonds.

Statements of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating revenues	\$ 13,109,026	\$ 13,454,526	\$ 12,653,041
Operating expenses:			
Depreciation	2,705,690	3,122,058	3,284,325
Other operating expenses	9,376,304	8,824,466	7,950,546
Total operating expenses	<u>12,081,994</u>	<u>11,946,524</u>	<u>11,234,871</u>
Operating income	1,027,032	1,508,002	1,418,170
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,279,207)	(1,823,318)	(3,721,315)
Loss on disposal of capital assets	-	(9,613)	(80,917)
Other non-operating revenues	316,474	479,482	553,756
Total non-operating revenues (expenses)	<u>(962,733)</u>	<u>(1,353,449)</u>	<u>(3,248,476)</u>
Change in net position	64,299	154,553	(1,830,306)
Beginning net position	<u>25,647,080</u>	<u>25,492,527</u>	<u>27,322,833</u>
Ending net position	<u>\$ 25,711,379</u>	<u>\$ 25,647,080</u>	<u>\$ 25,492,527</u>

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Wastewater System as of December 31, 2020, 2019, and 2018 amounted to \$11.8 million, \$10.3 million, and \$9.6 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment.

Note 5 (Capital Assets) provides Wastewater System asset activity during 2020.

Debt Administration: At the end of 2020, the City had outstanding long-term bond issues and loans totaling \$43,287,604.

See Note 6 for a discussion of the outstanding Wastewater System bonds and related activity.

Economic Factors and Future Trends

Wastewater customer classes include residential, commercial, industrial and large contract customers. The Wastewater System serves the entire City and certain adjacent areas and accounts for 99% of the wastewater treatment services within the corporate limits of the City.

Wastewater rates, as with the other City utility rates, are established by City ordinance and are not subject to the regulatory jurisdiction of the Public Utilities Commission of Ohio (PUCO) or any Federal or State regulatory body. In 2016, City Council approved a rate ordinance providing for a series of five rate increases of approximately 3% annually, with the first increase effective August 1, 2016, and each subsequent increase, thereafter, effective July 1, for years 2017 through 2020. The City has a single rate schedule, applicable to all wastewater customers in the City, with the exception of customers that have separate agreements. The rate schedule provides for a basic billing charge; a capacity charge based on the water meter size; a service charge based on flow or volume of usage; a surcharge for Biochemical Oxygen Demand (BOD) in excess of 200 milligrams per liter (mg/l); and a surcharge for Suspended Solids (SS) in excess of 300 mg/l. The surcharge tolerance for SS were increased, effective July 1, 2012, from SS in excess of 250 mg/l to 300 mg/l, to more accurately reflect the cost of treatment. As with the other City utilities, there is a suburban surcharge (150%) levied on wastewater customers located outside the corporate limits of Hamilton.

The annual budget of the Wastewater System is adopted in accordance with ten-year projections developed by City Staff. These projects are thoroughly reviewed and updated in the Spring and Fall of each year or more often as deemed necessary by City Management.

City of Hamilton, Ohio

Wastewater System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

In January 2007, the City and the Ohio EPA entered into a Modified Consent Order to address the remaining Ohio EPA issues with the Wastewater System. This Modified Consent Order required a number of reports to be filed with the Ohio EPA, including a Management, Operation and Maintenance (MOM) Report of the sanitary sewer system; an audit of the MOM Report, one year later; an Overflow Emergency Response Plan (OERP); and a System Evaluation and Capacity Assurance Plan (SECAP), with an implementation schedule. The Modified Consent Order also regulated the reporting of overflow and bypass monitoring. The City has received Ohio EPA approval of the required submitted reports and programs. In a letter dated July 11, 2009, the SECAP was approved by the Ohio EPA Director as adequate and complete. The SECAP document serves as the master plan of capital improvements to the Wastewater System to satisfy the Modified Consent Order. In 2012, a Preliminary Engineering Report, detailing changes to the SECAP, was submitted to the Ohio EPA. The changes to the SECAP were due primarily to the closure of the two paper mills in Hamilton and subsequent significant reduction in wastewater flow. The Report detailed the changes and modifications recommended for the Water Reclamation Facility and Interceptor Improvement Projects. The Report also requested a one-year extension of the completion date for these Projects, to October 1, 2015. The Ohio EPA approved the changes to the SECAP detailed in the Report.

During 2013, the Wastewater System began construction of the improvements identified within the approved SECAP, including the construction of a sewer overflow interceptor along the Great Miami River. The interceptor project was bid in 2013, with an accepted bid of approximately \$12 million. This was completed in 2015. Additionally, significant improvements were required at the Water Reclamation Facility to meet the requirements of the SECAP. Phase I of these improvements began in 2011 and totaled almost \$5.1 million. Phase II of these improvements began in 2014 and is estimated to cost approximately \$6.5 million. All requirements of the SECAP were completed in 2016.

The City maintains an A1 bond rating with a stable outlook for its Wastewater System.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Wastewater System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and investments	\$ 16,258,507	16,443,109
Accounts receivable (less allowance for uncollectible accounts of \$586,043 and \$1,214,865, respectively)	1,594,415	1,693,456
Interest receivable	22,959	48,236
Inventory of supplies at cost	1,248	1,841
Prepaid expenses	68,447	65,635
Total current assets	<u>17,945,576</u>	<u>18,252,277</u>
Restricted assets:		
Cash and investments	<u>2,877,080</u>	<u>2,774,874</u>
Noncurrent assets:		
Nondepreciable capital assets	8,266,962	6,991,350
Depreciable capital assets, net	<u>48,960,866</u>	<u>50,700,922</u>
Total noncurrent assets	<u>57,227,828</u>	<u>57,692,272</u>
Total assets	<u>78,050,484</u>	<u>78,719,423</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	249,148	298,415
Pension	409,452	942,960
OPEB	<u>350,185</u>	<u>174,527</u>
Total deferred outflows of resources	<u>1,008,785</u>	<u>1,415,902</u>
LIABILITIES		
Current liabilities:		
Accounts payable	767,297	303,133
Accrued wages and benefits	73,145	99,789
Intergovernmental payable	34,990	31,842
Accrued interest payable	394,489	401,350
Customer deposits payable	295,172	305,528
Compensated absences payable - current portion	233,138	211,836
OWDA loans payable - current portion	37,711	36,674
OPWC loans payable - current portion	121,450	60,725
General obligation bonds payable - current portion	20,000	20,000
Revenue bonds payable - current portion	<u>1,935,000</u>	<u>1,905,000</u>
Total current liabilities	<u>3,912,392</u>	<u>3,375,877</u>
Non-current liabilities:		
Compensated absences payable	204,149	183,185
OWDA loans payable	1,253,546	1,307,223
OPWC loans payable	3,339,897	3,461,347
General obligation bonds payable	495,000	515,000
Revenue bonds payable	38,445,752	40,744,583
Net pension liability	2,651,956	3,069,559
Net OPEB liability	1,884,120	1,480,082
Total OPEB liability	<u>326,308</u>	<u>300,592</u>
Total noncurrent liabilities	<u>48,600,728</u>	<u>51,061,571</u>
Total liabilities	<u>52,513,120</u>	<u>54,437,448</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	562,534	40,303
OPEB	<u>272,236</u>	<u>10,494</u>
Total deferred inflows of resources	<u>834,770</u>	<u>50,797</u>
NET POSITION		
Net investment in capital assets	11,818,895	10,335,181
Restricted for debt service	877,080	774,874
Restricted for rate stabilization	2,000,000	2,000,000
Unrestricted	<u>11,015,404</u>	<u>12,537,025</u>
Total net position	<u>\$ 25,711,379</u>	<u>25,647,080</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 13,063,853	13,137,572
Other operating revenues	<u>45,173</u>	<u>316,954</u>
Total operating revenues	<u>13,109,026</u>	<u>13,454,526</u>
Operating expenses:		
Personal services	4,019,550	3,080,211
Materials and supplies	258,444	254,124
Contractual services	2,583,623	2,951,034
Depreciation	2,705,690	3,122,058
Other operating expenses	<u>2,514,687</u>	<u>2,539,097</u>
Total operating expenses	<u>12,081,994</u>	<u>11,946,524</u>
Operating income	1,027,032	1,508,002
Non-operating revenues (expenses):		
Investment earnings	281,398	243,841
Grants	35,076	235,641
Loss on disposal of capital assets	-	(9,613)
Interest and fiscal charges	<u>(1,279,207)</u>	<u>(1,823,318)</u>
Total non-operating revenues (expenses)	<u>(962,733)</u>	<u>(1,353,449)</u>
Change in net position	64,299	154,553
Net position - beginning of year	<u>25,647,080</u>	<u>25,492,527</u>
Net position - end of year	\$ <u>25,711,379</u>	<u>25,647,080</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WASTEWATER SYSTEM
STATEMENT OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 13,208,067	13,300,770
Cash paid for employee services and benefits	(2,849,946)	(2,262,680)
Cash paid to suppliers for goods and services	<u>(5,306,796)</u>	<u>(5,679,631)</u>
Net cash from operating activities	<u>5,051,325</u>	<u>5,358,459</u>
Cash flows from noncapital financing activities:		
Intergovernmental grants	<u>35,076</u>	<u>235,641</u>
Cash flows from capital and related financing activities:		
Payments for capital acquisitions	(1,836,475)	(1,136,837)
Bond proceeds	-	8,865,000
Loan proceeds	-	397,795
Premiums on debt issuance	-	1,273,785
Bonds principal retirement	(1,925,000)	(12,745,000)
Loan principal retirement	(113,365)	(157,289)
Debt interest payments and fiscal charges	<u>(1,600,632)</u>	<u>(2,336,741)</u>
Net cash from capital and related financing activities	<u>(5,475,472)</u>	<u>(5,839,287)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>306,675</u>	<u>249,133</u>
Net change in cash and investments	(82,396)	3,946
Cash and investments at beginning of year	<u>19,217,983</u>	<u>19,214,037</u>
Cash and investments at end of year	<u>\$ 19,135,587</u>	<u>19,217,983</u>
Reconciliation of operating income to net cash from operating activities:		
Operating income	\$ 1,027,032	1,508,002
Adjustments to reconcile operating income to net cash from operating activities:		
Depreciation	2,705,690	3,122,058
Change in deferred outflows-pension and OPEB	357,850	(481,949)
Change in deferred inflows-pension and OPEB	783,973	(460,746)
Changes in assets and liabilities:		
(Increase) decrease in receivables	99,041	(153,756)
(Increase) decrease in inventory	593	(1,138)
(Increase) decrease in prepaid items	(2,812)	50,490
Increase (decrease) in customer deposits payable	(10,356)	8,493
Increase (decrease) in payables	59,393	7,709
Increase (decrease) in accrued liabilities	15,622	98,301
Increase (decrease) in intergovernmental payables	3,148	25,722
Increase (decrease) in net pension liability	(417,603)	1,334,850
Increase (decrease) in net OPEB liability	404,038	265,282
Increase (decrease) in total OPEB liability	<u>25,716</u>	<u>35,141</u>
Net cash from operating activities	<u>\$ 5,051,325</u>	<u>5,358,459</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	<u>\$ 560,056</u>	<u>155,285</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – WASTEWATER SYSTEM

Notes to Financial Statements Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Wastewater System (Wastewater System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Wastewater System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Wastewater System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Wastewater System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Wastewater System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Wastewater System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Wastewater System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Premiums and Discounts – Unamortized bond premiums and discounts are amortized on the interest method over the term of the related bonds. Amortization of bond premiums were \$363,831 and \$300,143 during 2020 and 2019, respectively, and amortization of bond discounts was \$40,537 during 2019.

Compensated Absences – The Wastewater System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Wastewater System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Wastewater System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Wastewater System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Wastewater System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Wastewater System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Wastewater System totaled \$18,258,507 at December 31, 2020 and \$18,443,109 at December 31, 2019 consisted of demand deposits, money market funds, commercial paper, marketable CD's, municipal bonds, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$877,080 at December 31, 2020 and \$774,874 at December 31, 2019.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2020 and 2019, approximately 96% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Wastewater System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Wastewater System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Wastewater Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of “safekeeping” accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Wastewater System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.82 years and STAR Ohio which has a credit rating of AAAM.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Earned and unbilled consumer accounts	\$ 819,743	791,303
Earned and billed consumer accounts	1,349,884	2,109,420
Other	10,831	7,598
Less allowance for uncollectible accounts	<u>(586,043)</u>	<u>(1,214,865)</u>
Total	<u>\$ 1,594,415</u>	<u>1,693,456</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$2,877,080 and \$2,774,874 at December 31, 2020 and 2019, respectively.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,847,497	\$ -	\$ -	\$ 2,847,497
Construction in progress	4,143,853	1,436,837	(161,225)	5,419,465
Subtotal	<u>6,991,350</u>	<u>1,436,837</u>	<u>(161,225)</u>	<u>8,266,962</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	82,659,784	-	-	82,659,784
Machinery and equipment	46,632,579	965,634	-	47,598,213
Subtotal	<u>129,292,363</u>	<u>965,634</u>	<u>-</u>	<u>130,257,997</u>
Totals at historical cost	<u>136,283,713</u>	<u>2,402,471</u>	<u>(161,225)</u>	<u>138,524,959</u>
Less accumulated depreciation:				
Buildings and improvements	43,746,128	606,522	-	44,352,650
Machinery and equipment	34,845,313	2,099,168	-	36,944,481
Total accumulated depreciation	<u>78,591,441</u>	<u>2,705,690</u>	<u>-</u>	<u>81,297,131</u>
Capital assets, net	<u>\$ 57,692,272</u>	<u>\$ (303,219)</u>	<u>\$ (161,225)</u>	<u>\$ 57,227,828</u>

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,847,497	\$ -	\$ -	\$ 2,847,497
Construction in progress	3,458,257	727,596	(42,000)	4,143,853
Subtotal	<u>6,305,754</u>	<u>727,596</u>	<u>(42,000)</u>	<u>6,991,350</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	82,659,784	-	-	82,659,784
Machinery and equipment	46,279,624	527,785	(174,830)	46,632,579
Subtotal	<u>128,939,408</u>	<u>527,785</u>	<u>(174,830)</u>	<u>129,292,363</u>
Totals at historical cost	<u>135,245,162</u>	<u>1,255,381</u>	<u>(216,830)</u>	<u>136,283,713</u>
Less accumulated depreciation:				
Buildings and improvements	42,747,477	998,651	-	43,746,128
Machinery and equipment	32,887,123	2,123,407	(165,217)	34,845,313
Total accumulated depreciation	<u>75,634,600</u>	<u>3,122,058</u>	<u>(165,217)</u>	<u>78,591,441</u>
Capital assets, net	<u>\$ 59,610,562</u>	<u>\$ (1,866,677)</u>	<u>\$ (51,613)</u>	<u>\$ 57,692,272</u>

6. LONG TERM DEBT

In October 2016, the Wastewater System refunded \$10,840,000 of Series 2005 Wastewater System Revenue Refunding Bonds. The net proceeds of the Series 2016 bonds have been used to currently refund the Series 2005 Bonds that were originally issued to refund the 1996 and 1998 Wastewater Revenue Bonds. These bonds fully mature in 2026 with interest ranging from 1.75 to 5.0 percent per annum.

In April 2018, the Wastewater System currently refunded the 2017 Notes through the issuance of \$25,325,000 of Series 2018 Wastewater System Refunding Revenue Bonds. These bonds fully mature in 2041 and with interest ranging from 2.0 to 5.0 percent per annum.

In 2018, the City issued \$11,025,000 in Series 2018 General Obligation Various Purpose Bonds. Proceeds of \$555,000 will fund wastewater line improvements. The Wastewater System's portion of the bonds fully mature in 2038 with interest ranging from 2.6 to 4.0 percent per annum.

In November 2019, the Wastewater System defeased \$10,865,000 of the Series 2009B Taxable Wastewater System Build America Revenue Bonds through the issuance of \$8,865,000 of Series 2019 Wastewater Mortgage Revenue Refunding Bonds, and additional cash on hand. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds.

Debt activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Due Within One Year
Series 2016 Revenue Bonds	\$ 7,060,000	\$ -	\$ (875,000)	\$ 6,185,000	\$ 920,000
Series 2018 Refunding Bonds	24,000,000	-	(735,000)	23,265,000	755,000
Series 2018 G.O. Bonds	535,000	-	(20,000)	515,000	20,000
Series 2019 Refunding Bonds	8,865,000	-	(295,000)	8,570,000	260,000
Less deferred amount for issuance premiums	2,724,583	-	(363,831)	2,360,752	-
<i>Direct borrowing:</i>					
OWDA loan	1,343,897	-	(52,640)	1,291,257	37,711
OPWC loan	3,522,072	-	(60,725)	3,461,347	121,450
Compensated absences	395,021	254,102	(211,836)	437,287	233,138
Total bonds	<u>\$ 48,445,573</u>	<u>\$ 254,102</u>	<u>\$ (2,614,032)</u>	<u>\$ 46,085,643</u>	<u>\$ 2,347,299</u>

Debt activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Series 2009B Revenue BABs	\$ 11,170,000	\$ -	\$ (11,170,000)	\$ -	\$ -
Series 2016 Revenue Bonds	7,900,000	-	(840,000)	7,060,000	875,000
Series 2018 Refunding Bonds	24,715,000	-	(715,000)	24,000,000	735,000
Series 2018 G.O. Bonds	555,000	-	(20,000)	535,000	20,000
Series 2019 Refunding Bonds	-	8,865,000	-	8,865,000	295,000
Less deferred amount					
for issuance premiums	1,750,941	1,273,785	(300,143)	2,724,583	-
for issuance discounts	(40,537)	-	40,537	-	-
<i>Direct borrowing:</i>					
OWDA loan	981,940	397,795	(35,838)	1,343,897	36,674
OPWC loan	3,643,523	-	(121,451)	3,522,072	60,725
Compensated absences	355,930	228,179	(189,088)	395,021	211,836
Total bonds	<u>\$ 51,031,797</u>	<u>\$ 10,764,759</u>	<u>\$ (13,350,983)</u>	<u>\$ 48,445,573</u>	<u>\$ 2,234,235</u>

All property and revenue of the Wastewater System facilities have been pledged as collateral on the indebtedness. Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The Mortgage Revenue Bonds are insured under a municipal bond insurance policy. Under the terms of this policy, the payments of principal and interest are guaranteed by the insurer.

Maturities of mortgage revenue and general obligation bonds at December 31, 2020 are as follows:

	Revenue Bonds			General Obligation Bonds		
	Principal	Interest	Total	Principal	Interest	Total
2021	\$ 1,935,000	\$ 1,518,050	\$ 3,453,050	\$ 20,000	\$ 16,918	\$ 36,918
2022	2,000,000	1,446,550	3,446,550	25,000	16,118	41,118
2023	2,085,000	1,356,900	3,441,900	25,000	15,368	40,368
2024	2,155,000	1,294,088	3,449,088	25,000	14,618	39,618
2025	2,245,000	1,194,588	3,439,588	25,000	13,868	38,868
2026-2030	7,925,000	4,597,765	12,522,765	135,000	58,409	193,409
2031-2035	8,460,000	3,114,413	11,574,413	155,000	36,101	191,101
2036-2040	9,655,000	1,422,950	11,077,950	105,000	7,613	112,613
2041	1,560,000	62,400	1,622,400	-	-	-
Total	<u>\$ 38,020,000</u>	<u>\$ 16,007,704</u>	<u>\$ 54,027,704</u>	<u>\$ 515,000</u>	<u>\$ 179,013</u>	<u>\$ 694,013</u>

In 2010, the Wastewater System entered into a direct borrowing agreement with the Ohio Water Development Authority (OWDA), as administrator for the U. S. Environmental Protection Agency (EPA), for the Wastewater System to receive a loan for sanitary sewer improvements. The interest rate on the loan is 3.25 percent, per annum. This loan is payable from wastewater utility charges. As of December 31, 2020, the outstanding loan balance was \$250,426.

In 2018, the Wastewater System entered into a direct borrowing agreement with the OWDA to receive a loan for sanitary sewer improvements. The interest rate on the loan is 2.22 percent per annum. This loan is payable from wastewater utility charges. As of December 31, 2020, the outstanding loan balance was \$1,040,831.

In 2016, the Wastewater System obtained financing through Ohio Public Works Commission (OPWC) direct borrowing for the Gilmore Road Pump Station (Phases I and II) with a 0 percent interest rate. As of December 31, 2020, the outstanding balance of the loan is \$3,461,347.

The future financing requirements on the completed direct borrowing OWDA and OPWC project loan balances at December 31, 2020 was:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 159,161	\$ 30,971	\$ 190,132
2022	179,997	29,459	209,456
2023	180,726	27,924	208,650
2024	181,481	26,365	207,846
2025	182,259	24,781	207,040
2026-2030	923,894	99,229	1,023,123
2031-2035	788,613	66,715	855,328
2036-2040	788,620	46,583	835,203
2041-2045	788,626	26,451	815,077
2046-2049	579,227	6,666	585,893
Total	<u>\$ 4,752,604</u>	<u>\$ 385,144</u>	<u>\$ 5,137,748</u>

7. DEFINED BENEFIT PENSION PLANS

The Wastewater System contributes to the Ohio Public Employees Retirement System.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Wastewater System’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Wastewater System's obligation for this liability to annually required payments. The Wastewater System cannot control benefit terms or the manner in which pensions are financed; however, the Wastewater System does receive the benefit of employees' services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Wastewater System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Wastewater System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for 2020 and 2019 as follows:

Statutory Maximum Contribution Rates

Employer	14.0 %
Employee	10.0 %

Actual Contribution Rates

Employer:	
Pension	14.0 %
Post-employment Health Care Benefits	<u>0.0 %</u>
Total Employer	<u>14.0 %</u>
Employee	<u>10.0 %</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Wastewater System's contractually required contributions were \$267,806 for 2020 and \$220,991 for 2019. Of this amount, \$10,319 was reported as an intergovernmental payable in 2020 and \$7,334 in 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Wastewater System's proportion of the net pension liability was based on the Wastewater System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net Pension Liability	\$ 2,651,956	\$ 3,069,559
Proportion of the Net Pension Liability	0.0134170%	0.0112077%
Change in Proportion	0.0022093%	0.0001502%
Pension Expense	\$ 474,082	\$ 703,354

At December 31, 2020 and 2019, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 416,625
Wastewater System change in proportionate share	-	37,989
Changes in assumptions	141,646	267,213
Differences between expected and actual experience	-	142
Wastewater System contributions subsequent to the measurement date	<u>267,806</u>	<u>220,991</u>
Total Deferred Outflows of Resources	<u>\$ 409,452</u>	<u>\$ 942,960</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 529,005	\$ -
Differences between expected and actual experience	<u>33,529</u>	<u>40,303</u>
Total Deferred Inflows of Resources	<u>\$ 562,534</u>	<u>\$ 40,303</u>

\$267,806 reported as deferred outflows of resources related to pension resulting from the Wastewater System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2021	\$ (61,898)
2022	(170,847)
2023	21,906
2024	<u>(210,049)</u>
Total	<u>\$ (420,888)</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 1.40 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for vested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Wastewater System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the Wastewater System’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Wastewater System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Wastewater System's proportionate share of the net pension liability	\$ 4,374,084	\$ 2,651,956	\$ 1,103,987

8. DEFINED BENEFIT OPEB PLANS

The Wastewater System contributes to the Ohio Public Employees Retirement System and the City's Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Wastewater System's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The Wastewater System cannot control benefit terms or the manner in which OPEB are financed; however, the Wastewater System does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer's contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Wastewater System's contractually required contributions were \$0 for 2020 and 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Wastewater System's proportion of the net OPEB liability was based on the Wastewater System's share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net OPEB Liability	\$ 1,884,120	\$ 1,480,082
Proportion of the Net OPEB Liability	0.0136406%	0.0113524%
Change in Proportion	0.0022882%	0.0001656%
OPEB Expense	\$ 150,888	\$ 125,770

At December 31, 2020 and 2019, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 67,853
Wastewater System change in proportionate share	2,079	24,793
Changes in assumptions	298,237	47,721
Differences between expected and actual experience	50	500
Total Deferred Outflows of Resources	<u>\$ 300,366</u>	<u>\$ 140,867</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 95,939	\$ -
Differences between expected and actual experience	172,310	4,015
Total Deferred Inflows of Resources	<u>\$ 268,249</u>	<u>\$ 4,015</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2020	\$ 50,144
2021	22,308
2022	75
2023	<u>(40,410)</u>
Total	<u>\$ 32,117</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current measurement period	2.75 percent
Prior measurement period	3.71 percent
Health Care Cost Trend Rate:	
Current measurement period	10.5 percent, initial 3.5 percent, ultimate in 2030
Prior measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	14.00%	4.90%
Total	100.00%	4.55%

Discount Rate. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Wastewater System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Wastewater System's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Wastewater System's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.16 percent) or 1.0 percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Wastewater System's proportionate share of the net OPEB liability	\$ 2,465,601	\$ 1,884,120	\$ 1,418,444

Sensitivity of the Wastewater System's Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Wastewater System's proportionate share of the net OPEB liability	\$ 1,828,468	\$ 1,884,120	\$ 1,938,954

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Wastewater System’s contractually required contributions were \$17,444 in 2020 and \$17,258 in 2019.

At December 31, 2020, the number of plan-wide active participants and retirees were 579 and 657, respectively, and 591 and 650 at December 31, 2019, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2020. Following is information related to the changes in total OPEB liability:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability, beginning of year	\$ 300,592	\$ 265,451
Service cost	3,676	2,937
Interest	8,028	9,762
Difference between expected and actual experience	4,383	6,383
Changes in assumptions	27,073	33,317
Benefit payments	<u>(17,444)</u>	<u>(17,258)</u>
Total OPEB Liability, end of year	<u>\$ 326,308</u>	<u>\$ 300,592</u>
 Retiree Life Insurance Plan OPEB expense	 \$7,065	 \$2,078

At December 31, 2020 and 2019, the Wastewater System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 41,199	\$ 26,376
Differences between expected and actual experience	<u>8,620</u>	<u>7,284</u>
Total Deferred Outflows of Resources	<u>\$ 49,819</u>	<u>\$ 33,660</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 3,987</u>	<u>\$ 6,479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	12,805
2022		13,459
2023		12,785
2024		6,168
2025		<u>615</u>
Total	\$	<u>45,832</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Single Discount Rate:	
Current measurement date	2.00 percent
Prior measurement date	2.75 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pub-2010 General/Public Safety
Retired	Pub-2010 General Retiree
Disabled	Pub-2010 General Disabled Retiree
Weighting	Headcount-weighted
Future Improvement	Projected generationally using Scale MP-2020

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Wastewater System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.00 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00 percent) and one-percentage-point higher (3.00 percent) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 372,228	\$ 326,308	\$ 288,851

9. CONTINGENT LIABILITIES

Litigation. Various claims and lawsuits are pending against the City involving the Wastewater System. The City believes the likely outcome will not be material to the Wastewater System’s basic financial statements.

Asset Retirement Obligations. GASB Statement No. 83, *Certain Asset Retirement Obligations*, establishes criteria for determining the recognition of a liability for an asset retirement obligation (ARO). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. Recognition of the ARO occurs when the liability is both incurred and reasonable estimable. AN ARO is incurred based on external laws, regulation, or contracts.

Ohio Revised Code Section 6111.44 required the Wastewater System to submit any changes to their sewage treatment system to the Ohio Environmental Protection Agency (EPA) for approval. Through this permitting process, the Wastewater System would be responsible to address any public safety issues associated with their sewage treatment facilities and the permit would specify the procedures required to dispose of all or part of the sewage treatment plant. At this time, the Wastewater System does not have an approved permit from the Ohio EPA to dispose of all or part of their sewage treatment facilities. Due to the lack of specific legal requirements for retiring the sewage treatment facilities, the Wastewater System has determined that the amount of the asset retirement obligation cannot be reasonably estimated.

10. RELATED PARTY TRANSACTIONS

The Wastewater System purchases electricity from the City’s Electric System. Purchases of \$696,154 and \$607,073 were made in 2020 and 2019, respectively, from the Electric System and are included in operating expenses.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds which provide services to various City departments. Charges to the Wastewater System for these services was approximately \$2,490,000 in 2020 and \$2,438,000 in 2019 and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Wastewater System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

**CITY OF HAMILTON - WASTEWATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN MEASUREMENT PERIODS**

	Wastewater System's Proportion of the Net Pension Liability	Wastewater System's Proportionate Share of the Net Pension Liability	Wastewater System's Covered Payroll	Wastewater System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0132201%	\$ 1,567,858	\$ 1,471,631	106.54%	86.36%
2015	0.0132201%	1,594,487	1,636,133	97.45%	86.45%
2016	0.0107035%	1,853,976	1,468,558	126.24%	81.08%
2017	0.0107242%	2,435,275	1,397,050	174.32%	77.25%
2018	0.0110575%	1,734,709	1,519,392	114.17%	84.66%
2019	0.0112077%	3,069,559	1,490,579	205.93%	74.70%
2020	0.0134170%	2,651,956	1,578,507	168.00%	82.17%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST EIGHT YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Wastewater System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 191,312	\$ (191,312)	\$ -	\$ 1,471,631	13.00%
2014	196,336	(196,336)	-	1,636,133	12.00%
2015	176,227	(176,227)	-	1,468,558	12.00%
2016	167,646	(167,646)	-	1,397,050	12.00%
2017	197,521	(197,521)	-	1,519,392	13.00%
2018	208,681	(208,681)	-	1,490,579	14.00%
2019	220,991	(220,991)	-	1,578,507	14.00%
2020	267,806	(267,806)	-	1,912,900	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Change in COLA from 3.00% to 1.40% for post 1/7/2013 retirees.

**CITY OF HAMILTON - WASTEWATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST FOUR MEASUREMENT PERIODS**

	Wastewater System's Proportion of the Net OPEB Liability	Wastewater System's Proportionate Share of the Net OPEB Liability	Wastewater System's Covered Payroll	Wastewater System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0104915%	\$ 1,059,681	\$ 1,397,050	75.85%	54.05%
2018	0.0111868%	1,214,800	1,519,392	79.95%	54.14%
2019	0.0113524%	1,480,082	1,490,579	99.30%	46.33%
2020	0.0136406%	1,884,120	1,578,507	119.36%	47.80%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FIVE YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Wastewater System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 27,941	\$ (27,941)	\$ -	\$ 1,397,050	2.00%
2017	15,193	(15,193)	-	1,519,392	1.00%
2018	-	-	-	1,490,579	0.00%
2019	-	-	-	1,578,507	0.00%
2020	-	-	-	1,912,900	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

2020: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%
- Change in health care cost trend rate from 10.0% to 10.5%
- The municipal bond rate changed from 3.71% to 2.75%

**CITY OF HAMILTON - WASTEWATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
LAST FOUR YEARS**

	Wastewater System's Proportion Total OPEB Liability	Wastewater System's Covered- Employee Payroll	Wastewater System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 1,519,392	18.25%
2018	265,451	1,490,579	17.81%
2019	300,592	1,578,507	19.04%
2020	326,308	1,912,900	17.06%

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
LAST THREE YEARS**

	2020	2019	2018
Beginning Total OPEB Liability	\$ 300,592	\$ 265,451	\$ 277,234
Service Cost	3,676	2,937	3,100
Interest	8,028	9,762	9,412
Difference between expected and actual experience	4,383	6,383	3,947
Changes in assumptions	27,073	33,317	(11,462)
Benefit payments	(17,444)	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 326,308</u>	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.



CLARK SCHAEFER HACKETT
BUSINESS ADVISORS

CITY OF HAMILTON, OHIO – WATER SYSTEM
BUTLER COUNTY
FINANCIAL AUDIT
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019

TABLE OF CONTENTS

Independent Auditor's Report	1 - 2
Management's Discussion and Analysis.....	3 - 9
Financial Statements:	
Statements of Net Position	10
Statements of Revenues, Expenses and Changes in Net Position	11
Statements of Cash Flows.....	12
Notes to Financial Statements.....	13 – 35
Required Supplementary Information:	
Schedule of the Proportionate Share of the Net Pension Liability	36
Schedule of Pension Contributions	36
Schedule of the Proportionate Share of the Net OPEB Liability.....	37
Schedule of OPEB Contributions	37
Schedules of Total OPEB Liability and Changes in Total OPEB Liability	38

INDEPENDENT AUDITORS' REPORT

To the Honorable Mayor and Members of Council
City of Hamilton, Ohio:

Report on the Financial Statements

We have audited the accompanying financial statements of the City of Hamilton, Ohio - Water System, an enterprise fund of the City of Hamilton, Ohio (the Water System), as of and for the years ended December 31, 2020 and 2019 and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to previously present fairly, in all material respects, the financial position of the City of Hamilton, Ohio - Water System as of December 31, 2020 and 2019, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1, the financial statements present only the Water System and do not purport to, and do not present fairly the financial position of the City of Hamilton, Ohio as of December 31, 2020 and 2019, and the changes in its financial position and cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Clark, Schaefer, Hackett & Co.

Cincinnati, Ohio
June 29, 2021

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

The discussion and analysis of the City of Hamilton, Ohio's Water System's financial performance provide an overall review of that System's financial activities for the years ended December 31, 2020 and 2019. While the intent of this discussion and analysis is to look at the system's financial performance, readers should also review the Statements of Net Position; Revenues, Expenses and Changes in Net Position; and Cash Flows to enhance their understanding of the system's fiscal performance.

Financial Highlights

Key highlights for 2020 and 2019 are as follows:

- ❑ The assets and deferred outflows of resources of the Hamilton Water System exceeded its liabilities and deferred inflows of resources at the close of 2020 and 2019 by \$67,243,602 and \$69,322,536 (net position), respectively. Of these amounts, \$3,796,554 and \$4,432,917 (unrestricted net position) in those years were available to meet the system's ongoing obligations to customers and creditors.
- ❑ The system's total net position decreased by \$2,078,934 between 2019 and 2020, representing a 3.0% decrease.
- ❑ In 2020, the Water System's long-term debt increased by a net of \$819,458, as the Water System continued to receive loans from the Ohio Public Works Commission to finance water main improvements.

Water System Summary

The Water System is a fully integrated water supply, treatment, transmission and distribution system. Over the last decade, the City has implemented a number of improvements to the Water System, providing increased system capabilities and enhanced reliability. The System has two water treatment facilities and two well fields that draw water from the Great Miami Buried Valley Aquifer. The transmission and distribution system consists of more than 300 miles of various size main piping, storage facilities and pumping stations.

The Water System currently provides water service to approximately 24,200 customers who represent a diverse mixture of residential, as well as small and large commercial and industrial customers. The City Water Service Area is comprised of virtually all customers within the City's corporate boundaries and a small number of customers in some areas in the immediate surrounding environs. Butler County is the largest customer of the Water System and for the last several years has accounted for in excess of fifty percent of the Water System's revenue. The Water System provides water service to an area within the City limits and areas in the immediate surrounding environs. No water utility other than the Water System can serve new customers in the City without a franchise, and, under the City Charter, only the City Council has the authority to grant utility franchises. City Council has not granted any franchises.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

This annual report consists only of the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows as well as Notes to the Financial Statements for the City of Hamilton, Ohio's Water System for the years ended December 31, 2020 and 2019.

Reporting Hamilton's Water System (Whole and Significant Fund)

The financial statements contained within this report include the City of Hamilton, Ohio's Water System *only*. Readers desiring to view city-wide financial statements, as well as the impact that the Water System has on the City's overall financial position and operating results, should refer to the City's Basic Financial Statements appearing in the Comprehensive Annual Financial Report for 2020 and 2019. The City of Hamilton's Water System is reported as a business-type, proprietary, enterprise fund and is considered a major fund for purposes of individual fund reporting. Payments made from the Water Fund are restricted to Water System purposes by municipal ordinance, Ohio Revised Code and indentures issued pursuant to long-term financing.

In the Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position, the view of the system looks at all financial transactions of the Water Fund and asks the question, "How did we do financially during 2020 and 2019?" These statements provide answers to that question. The statements include all assets, deferred outflow of resources, and liabilities of the System using the accrual basis of accounting similar to the accounting used by private sector companies. This basis of accounting considers all of the current year's revenues and expenses regardless of when the cash is received or paid. These two statements report the System's net position and the change in net position. The change in net position is important because it tells the reader whether, for the system, the financial position of the City has improved or diminished. However, in evaluating this position, non-financial information including the condition of capital assets will also need to be evaluated. The Notes to the Water System's Financial Statements provide additional information that is essential to a full understanding of the data provided.

The System provides services that have a charge based upon the amount of usage. The City's Water System charges fees to recoup the cost of the entire operation of the Water System as well as all capital expenses associated with these facilities.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of financial position. In the case of the Water Fund, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$67,243,602, \$69,322,536, and \$70,975,818 as of December 31, 2020, 2019, and 2018, respectively. By far, the largest portion of the net position of the Water System reflect its investment in capital assets (e.g. land, buildings, improvements, construction in progress, machinery and equipment) less any related debt used to acquire those assets that are still outstanding. The ratios of net investment in capital assets to total net position are as follows: 92% for 2020, 91% for 2019, and 92% for 2018. The System employs these assets in the treatment and distribution of water to customers; consequently, these assets are not readily available for future spending. The System's investment in its capital assets is reported net of related debt and it should be noted that the resources needed to repay these debts must be provided from other sources, primarily the revenues of the system, since the capital assets themselves cannot be used to liquidate the liabilities. Table 1 provides a summary of the Water System's Statement of Net Position for the Years Ended December 31, 2020 and 2019, and 2018.

	2020	2019	2018
Current and other assets	\$ 14,683,092	\$ 15,517,380	\$ 13,309,808
Capital assets	98,106,559	97,537,104	97,831,400
Total assets	<u>112,789,651</u>	<u>113,054,484</u>	<u>111,141,208</u>
Deferred outflows of resources	1,521,735	2,139,776	1,367,606
Long-term liabilities:			
Net pension liability	3,646,293	4,464,933	2,570,300
OPEB liabilities	2,916,865	2,453,494	2,065,404
Other long-term amounts	36,810,285	36,206,228	33,757,369
Other liabilities	2,548,072	2,676,124	2,386,705
Total liabilities	<u>45,921,515</u>	<u>45,800,779</u>	<u>40,779,778</u>
Deferred inflows of resources	1,146,269	70,945	753,218
Net investment in capital assets	61,871,326	63,361,840	65,019,187
Restricted	1,575,722	1,527,779	1,631,944
Unrestricted	3,796,554	4,432,917	4,324,687
Total net position	<u>\$ 67,243,602</u>	<u>\$ 69,322,536</u>	<u>\$ 70,975,818</u>

The net pension liability (NPL) is reported by the Water System pursuant to Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions—an Amendment of GASB Statement 27*. The net other postemployment benefits (OPEB) liability is reported by the Gas System pursuant to GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

For reasons discussed below, many end users of this financial statement will gain a clearer understanding of the Water System's actual financial condition by adding deferred inflows related to pension and OPEB, the net pension liability and the net OPEB liability to the reported net position and subtracting deferred outflows related to pension and OPEB.

The following discussion pertains to the net pension and net OPEB liabilities reported in the Water System's financial statements as a result of the Water System's participation in the Ohio Public Employee's Retirement System. The total OPEB liability reported in the Water System's financial statements reflects OPEB benefits provided by the Water System through a Retiree Life Insurance plan. See Note 8 for more information on this plan.

GASB Statement No. 68 and GASB Statement No. 75 take an earnings approach to pension and OPEB accounting; however, the nature of Ohio's statewide pension/OPEB plans and state law governing those systems requires additional explanation in order to properly understand the information presented in these statements.

GASB Statement No. 68 and GASB Statement No. 75 require the net pension liability and the net OPEB liability to equal the Water System's proportionate share of each plan's collective:

1. Present value of estimated future pension/OPEB benefits attributable to active and inactive employees' past service
- 2 Minus plan assets available to pay these benefits

GASB notes that pension and OPEB obligations, whether funded or unfunded, are part of the "employment exchange" – that is, the employee is trading his or her labor in exchange for wages, benefits, and the promise of a future pension and other postemployment benefits. GASB noted that the unfunded portion of this promise is a present obligation of the government, part of a bargained-for benefit to the employee and should accordingly be reported by the government as a liability since they received the benefit of the exchange. However, the Water System is not responsible for certain key factors affecting the balance of these liabilities. In Ohio, the employee shares the obligation of funding pension benefits with the employer. Both employer and employee contribution rates are capped by State statute. A change in these caps requires action of both Houses of the General Assembly and approval of the Governor. Benefit provisions are also determined by State statute. The Ohio revised Code permits but does not require the retirement systems to provide healthcare to eligible benefit recipients. The retirement systems may allocate a portion of the employer contributions to provide for these OPEB benefits.

The employee enters the employment exchange with the knowledge that the employer's promise is limited not by contract but by law. The employer enters the exchange also knowing that there is a specific, legal limit to its contribution to the retirement system. In Ohio, there is no legal means to enforce the unfunded liability of the pension/OPEB plan *as against the public employer*. State law operates to mitigate/lessen the moral obligation of the public employer to the employee, because all parties enter the employment exchange with notice as to the law. The retirement system is responsible for the administration of the pension and OPEB plans.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Most long-term liabilities have set repayment schedules or, in the case of compensated absences (i.e. sick and vacation leave), are satisfied through paid time-off or termination payments. There is no repayment schedule for the net pension liability or the net OPEB liability. As explained above, changes in benefits, contribution rates, and return on investments affect the balance of these liabilities but are outside the control of the local government. In the event that contributions, investment returns, and other changes are insufficient to keep up with required payments, State statute does not assign/identify the responsible party for the unfunded portion. Due to the unique nature of how the net pension liability and the net OPEB liability are satisfied, these liabilities are separately identified within the long-term liability section of the statement of net position.

In accordance with GASB Statement No. 68 and GASB Statement No. 75, the Water System's statements prepared on an accrual basis of accounting include an annual pension expense and an annual OPEB expense for their proportionate share of each plan's *change* in net pension liability and net OPEB liability, respectively, not accounted for as deferred inflows/outflows.

The Water System reported decreases in net position of \$2,078,934, \$1,653,282, and \$1,368,067 in 2020, 2019, and 2018, respectively. The Water System reported operating losses of \$1,144,955 and \$490,814 in 2020 and 2019, respectively, and operating income of \$188,724 in 2018. There were increases in personnel costs in 2020 due to some reallocation changes and new positions created.

Net non-operating expenses of \$933,979 decreased by \$228,489 from 2019 primarily due to a decrease in interest costs associated with the maturity of Series 2009A bonds and refunding of the Series 2009B bonds.

Statement of Revenues, Expenses and Changes in Net Position

	2020	2019	2018
Operating revenues	\$ 14,396,099	\$ 14,747,917	\$ 13,904,531
Operating expenses:			
Depreciation	3,344,534	3,276,085	3,407,890
Other operating expenses	12,196,520	11,962,646	10,307,917
Total operating expenses	15,541,054	15,238,731	13,715,807
Operating income (loss)	(1,144,955)	(490,814)	188,724
Non-Operating revenues (expenses)			
Interest and fiscal charges	(1,049,385)	(1,431,959)	(1,891,063)
Loss on disposal of capital assets	(71,939)	(53,634)	(24,784)
Other non-operating revenues	187,345	323,125	359,056
Total non-operating revenues (expenses)	(933,979)	(1,162,468)	(1,556,791)
Change in net position	(2,078,934)	(1,653,282)	(1,368,067)
Beginning net position	69,322,536	70,975,818	72,343,885
Ending net position	\$ 67,243,602	\$ 69,322,536	\$ 70,975,818

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

Capital Assets and Debt Administration

Capital Assets: The City's net investment in capital assets of the Water System as of December 31, 2020, 2019, and 2018 amounted to \$61.9 million, \$63.4 million, and \$65.0 million, respectively, (net of accumulated depreciation and related debt). This investment in capital assets includes land, buildings, improvements, construction in progress, and machinery and equipment. Significant capital activity during 2020 included the water main improvements on North Third Street and in the Highland Park area.

Note 5 (Capital Assets) provides Water System asset activity during 2020 and 2019.

Debt Administration: At the end of 2020, the Water System had five outstanding long-term revenue bond issues totaling \$28,085,000.

The Water System also received several Ohio Public Works Commission loans during 2020 for water main improvements.

See Note 6 for a discussion of outstanding Water System bonds, notes and related activity.

Economic Factors and Future Trends

The City's Water System is continually monitoring its costs and seeking ways to maintain its rates. However, the cost of providing water continues to escalate with rising chemical costs and environmental regulation. These costs are required by both ordinance and indentures to be passed along to its customers. The number of customers has remained steady, but per capita usage is dropping. The City implemented a series of five rate increases of 6% each, effective on February 1, 2008; January 1, 2009; January 1, 2010; January 1, 2011 and January 1, 2012. In 2014 the City adopted a five-year cost of service rate plan to be implemented annually from 2015 through 2019.

The annual budget of the City Water System is adopted in accordance with ten-year projections developed by City staff, and these projections are reviewed and updated in the spring and fall of each year, or more often as deemed necessary by City Management.

While the transmission and distribution system has been well-maintained, the age of the infrastructure has led to increases in the number of water main breaks and leaks over the last decade or so. For example, the average water main age in the City is approximately seventy years. In 2010, City Council adopted an ordinance which created the Water Main Replacement Program Rider (WMRPR). The WMRPR program is designed to renew and replace the City's water mains based upon an average 75-year useful life. Debt is expected to be issued, approximately every three years, to provide funding for the program until 2020. At that time, the Rider will fully fund the WMRPR. The WMRPR is being assessed on all City water customers, beginning in 2013. All funds collected through the WMRPR will be dedicated to meeting the capital expenditure and debt service requirements of the Water Main Replacement Program. Beginning with rates adopted in 2014, all water main replacement costs are being collected in the base water service rates to more accurately reflect the cost of service. Furthermore, the WMRPR was set to zero at the time of the first step of the five-year rate plan in 2015.

City of Hamilton, Ohio

Water System

Management's Discussion and Analysis
For the Years Ended December 31, 2020 and 2019
Unaudited

While the U.S. EPA establishes water quality and testing guidelines, the Ohio EPA enforces these guidelines, by using Primary and Secondary Drinking Water Standards. The Primary Drinking Water Standards focus on health concerns, by placing restrictions on water content of certain chemicals, such as lead, arsenic, mercury, fluoride and nitrates. Secondary Drinking Water Standards focus on the aesthetic quality of water, such as color, odor, iron and pH. Based on its tests and monitoring program, the City is currently in compliance with all U.S. EPA and Ohio EPA requirements. The City's treated water meets or exceeds applicable standards and is generally regarded as high quality, which is confirmed by consumer surveys. To further support this label of "high quality," the City of Hamilton won the award of "Best of the Best" in the National Section of the American Water Works Association Water Tasting Contest in 2018 and again in 2019 for the Ohio Section. Furthermore, the City's water won "The World's Best Tasting Tap Water" at the Berkeley Springs competition in 2015 and received a bronze medal in 2017.

The City maintains an Aa3 bond rating with a stable outlook for its Water System.

Requests for Information

This financial report is designed to provide our citizens, customers, taxpayers, creditors, investors and elected officials with an overview of the City of Hamilton, Ohio's Water System's finances and to show accountability for the money the system receives. If you have any questions about this report or need additional information, contact the City of Hamilton Finance Department, 345 High Street, Hamilton, Ohio 45011, (513) 785-7170, or visit the City website at www.hamilton-city.org.

**CITY OF HAMILTON, OHIO – WATER SYSTEM
STATEMENTS OF NET POSITION
DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
ASSETS		
Current assets:		
Cash and investments	\$ 11,240,790	12,020,054
Accounts receivable (less allowance for uncollectible accounts of \$412,656 and \$797,882, respectively)	1,506,657	1,587,804
Interest receivable	15,370	34,996
Inventory of supplies at cost	257,157	269,300
Prepaid expenses	87,396	77,447
Total current assets	<u>13,107,370</u>	<u>13,989,601</u>
Restricted assets:		
Cash and investments	<u>1,575,722</u>	<u>1,527,779</u>
Noncurrent assets:		
Nondepreciable capital assets	9,743,118	9,731,547
Depreciable capital assets, net	<u>88,363,441</u>	<u>87,805,557</u>
Total noncurrent assets	<u>98,106,559</u>	<u>97,537,104</u>
Total assets	<u>112,789,651</u>	<u>113,054,484</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred charge on debt refunding	495,733	527,898
Pension	562,972	1,372,642
OPEB	<u>463,030</u>	<u>239,236</u>
Total deferred outflows of resources	<u>1,521,735</u>	<u>2,139,776</u>
LIABILITIES		
Current liabilities:		
Accounts payable	455,740	673,980
Accrued wages and benefits	103,582	131,854
Intergovernmental payable	49,528	43,363
Accrued interest payable	251,938	250,637
Customer deposits payable	274,036	279,648
Compensated absences payable-current	302,542	275,845
OWDA loans payable - current portion	42,665	42,103
OPWC loans payable - current portion	153,041	63,694
Revenue bonds payable - current portion	<u>915,000</u>	<u>915,000</u>
Total current liabilities	<u>2,548,072</u>	<u>2,676,124</u>
Non-current liabilities:		
Compensated absences payable	263,309	260,355
OWDA loans payable	765,492	808,157
OPWC loans payable	6,477,820	4,790,606
Revenue bonds payable	29,303,664	30,347,110
Net pension liability	3,646,293	4,464,933
Net OPEB liability	2,590,557	2,152,902
Total OPEB liability	<u>326,308</u>	<u>300,592</u>
Total noncurrent liabilities	<u>43,373,443</u>	<u>43,124,655</u>
Total liabilities	<u>45,921,515</u>	<u>45,800,779</u>
DEFERRED INFLOWS OF RESOURCES		
Pension	773,453	58,625
OPEB	<u>372,816</u>	<u>12,320</u>
Total deferred inflows of resources	<u>1,146,269</u>	<u>70,945</u>
NET POSITION		
Net investment in capital assets	61,871,326	63,361,840
Restricted for debt service	575,722	527,779
Restricted for rate stabilization	1,000,000	1,000,000
Unrestricted	<u>3,796,554</u>	<u>4,432,917</u>
Total net position	<u>\$ 67,243,602</u>	<u>69,322,536</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO - WATER SYSTEM
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED DECEMBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
Operating revenues:		
Charges for services	\$ 14,216,099	14,381,567
Other operating revenues	<u>180,000</u>	<u>366,350</u>
Total operating revenues	<u>14,396,099</u>	<u>14,747,917</u>
Operating expenses:		
Personal services	5,184,934	4,297,110
Materials and supplies	1,309,287	1,464,549
Contractual services	2,995,605	3,502,862
Depreciation	3,344,534	3,276,085
Other operating expenses	<u>2,706,694</u>	<u>2,698,125</u>
Total operating expenses	<u>15,541,054</u>	<u>15,238,731</u>
Operating loss	(1,144,955)	(490,814)
Non-operating revenues (expenses):		
Investment earnings	187,345	129,371
Grants	-	193,754
Loss on disposal of capital assets	(71,939)	(53,634)
Interest and fiscal charges	<u>(1,049,385)</u>	<u>(1,431,959)</u>
Total non-operating revenues (expenses)	<u>(933,979)</u>	<u>(1,162,468)</u>
Change in net position	(2,078,934)	(1,653,282)
Net position - beginning of year	<u>69,322,536</u>	<u>70,975,818</u>
Net position - end of year	\$ <u>67,243,602</u>	<u>69,322,536</u>

See notes to financial statements.

**CITY OF HAMILTON, OHIO - WATER SYSTEM
STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
Cash flows from operating activities:		
Cash received from customers	\$ 14,477,246	14,943,915
Cash paid for employee services and benefits	(3,873,950)	(3,224,862)
Cash paid to suppliers for goods and services	<u>(7,078,637)</u>	<u>(7,561,803)</u>
Net cash from operating activities	<u>3,524,659</u>	<u>4,157,250</u>
Cash Flows from noncapital financing activities:		
Intergovernmental grants	<u>-</u>	<u>193,754</u>
Cash flows from capital and related financing activities:		
Payment for capital acquisitions	(4,138,044)	(3,073,688)
Debt proceeds	-	11,033,089
Revenue bond principal retirement	(915,000)	(9,730,000)
OWDA loan proceeds	1,840,255	-
OWDA loan principal retirement	(42,103)	(35,838)
OPWC loan proceeds	-	1,394,902
OPWC loan principal retirement	(63,694)	(39,316)
Debt interest payments	<u>(1,144,365)</u>	<u>(1,639,603)</u>
Net cash from capital and related financing activities	<u>(4,462,951)</u>	<u>(2,090,454)</u>
Cash flows from investing activities:		
Interest from investments and change in fair value of investments	<u>206,971</u>	<u>128,125</u>
Net change in cash and cash equivalents	(731,321)	2,388,675
Cash and cash equivalents at beginning of year	<u>13,547,833</u>	<u>11,159,158</u>
Cash and cash equivalents at end of year	\$ <u>12,816,512</u>	<u>13,547,833</u>
Reconciliation of operating loss to net cash from operating activities		
Operating loss	\$ (1,144,955)	(490,814)
Adjustments to reconcile operating loss to net cash from operating activities:		
Depreciation	3,344,534	3,276,085
Change in deferred outflows-pension and OPEB	585,876	(671,698)
Change in deferred inflows-pension and OPEB	1,075,324	(682,273)
Changes in assets and liabilities:		
(Increase) decrease in receivables	81,147	195,998
(Increase) decrease in inventory	12,143	(52,327)
(Increase) decrease in prepaid items	(9,949)	38,678
Increase (decrease) in customer deposits payable	(5,612)	12,179
Increase (decrease) in payables	(66,124)	104,541
Increase (decrease) in accrued liabilities	1,379	109,939
Increase (decrease) in intergovernmental payables	6,165	34,219
Increase (decrease) in net pension liability	(818,640)	1,894,633
Increase (decrease) in net OPEB liability	437,655	352,949
Increase (decrease) in total OPEB liability	<u>25,716</u>	<u>35,141</u>
Net cash from operating activities	\$ <u>3,524,659</u>	<u>4,157,250</u>
Schedule of noncash activities:		
Outstanding liabilities for purchase of certain capital assets	\$ <u>133,529</u>	<u>285,645</u>

See notes to financial statements.

CITY OF HAMILTON, OHIO – WATER SYSTEM

Notes to Financial Statements Years Ended December 31, 2020 and 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Financial Reporting Entity – The City of Hamilton, Ohio – Water System (Water System) is a utility operating as a separate enterprise fund of the City of Hamilton, Ohio (City). The Water System is controlled by and is dependent on the City’s executive and legislative branches. Control by or dependence on the City is determined on the basis of outstanding debt secured by revenues or general obligations of the City, obligation of the City to finance any deficits that may occur, or receipt of subsidies from the City.

Measurement Focus, Basis of Accounting and Basis of Presentation – The financial statements are prepared in accordance with accounting principles generally accepted in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the Water System’s principal ongoing operations. The principal operating revenues are charges to customers for sales and services. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Income Taxes – The Water System, which is owned and operated by the City, is exempt from income taxes since it is a division of a municipality.

Cash and Investments – Certain Water System cash and investments are held in the City Treasury and pooled for investment management purposes. The portion of these pooled funds owned by the Water System is reported as cash and investments. In accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, and GASB Statement No. 72, *Fair Value Measurement and Application*, all investments are recorded at fair value except for nonparticipating investment contracts which are reported at amortized cost, which approximates fair value. Interest earned on funds invested is distributed on the basis of the relationship of the average monthly balance of all funds, including the Water System.

Inventories – Inventories are stated at cost based on a moving-average cost method.

Capital Assets – Expenses that increase values or extend the useful life of the respective assets are capitalized while the costs of maintenance and repairs are charged to operating expenses. Interest costs related to the construction of property, plant and equipment are capitalized. Depreciation is calculated on a straight-line basis over the estimated useful life of the various classes of assets. The range of useful lives for computing depreciation is 5 to 75 years.

Bond Premiums and Discounts – Unamortized bond premiums and discounts are amortized on the interest method over the term of the related bonds. Amortization of bond discounts were \$639 and \$34,738 during 2020 and 2019, respectively, and amortization of bond premiums were \$129,086 and \$89,844 during 2020 and 2019, respectively.

Compensated Absences - The Water System follows the provisions of GASB Statement No. 16, *Accounting for Compensated Absences*. Vacation and compensatory time benefits are accrued as a liability as the benefits are earned if the employees' rights to receive compensation are attributable to services already rendered and it is probable that the Water System will compensate the employees for the benefits through paid time off or some other means. Sick leave termination benefits are accrued using the vesting method. The liability includes the employees who are currently eligible to receive termination benefits and those employees for whom it is probable that they will become eligible to receive payment in the future. The amount is based on accumulated sick leave and employees' wage rates at year-end.

Pension/OPEB – The provision for pension/other postemployment benefits (OPEB) cost is recorded when the related payroll is accrued and the obligation is incurred. For purposes of measuring the net pension and OPEB liabilities, deferred outflows of resources and deferred inflows of resources related to pensions/OPEB, and pension/OPEB expense, information about the fiduciary net position of the pension/OPEB plans and additions to/deductions from their fiduciary net position have been determined on the same basis as they are reported by the pension/OPEB systems. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The pension/OPEB systems report investments at fair value.

Deferred Outflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement reporting element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense) until then. The Water System reports deferred outflows of resources for deferred charge on debt refunding and for deferred pension/OPEB amounts. The deferred charge on debt refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. Deferred outflows of resources related to pension/OPEB amounts are explained in Notes 7 and 8.

Deferred Inflows of Resources – In addition to liabilities, the statement of financial position will report a separate section for deferred inflows of resources. Deferred inflows of resources represent an acquisition of net position that applies to a future period and will not be recognized until that time. For the Water System, deferred inflows of resources include pension/OPEB (see Notes 7 and 8).

Net Position – Net position represents the difference between assets and deferred outflows of resources, reduced by liabilities and deferred inflows of resources. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. The Water System applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Use of Estimates – The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. CASH AND INVESTMENTS

The Water System follows the practice of pooling cash and investments with the City Treasurer except for the cash and investments of certain accounts maintained by trustees. Pooled cash and investments of the Water System totaled \$12,240,790 at December 31, 2020 and \$13,020,054 at December 31, 2019 and consisted of demand deposits, money market funds, commercial paper, marketable CD's, municipal bonds, U.S. Treasury securities, U.S. government securities and State Treasury Asset Reserve of Ohio (STAR Ohio). Cash and investments held by trustees were \$575,722 and \$527,779 at December 31, 2020 and 2019, respectively.

STAR Ohio is an investment pool managed by the State Treasurer's Office, which allows governments within the State to pool their funds for investment purposes. STAR Ohio is not registered with the SEC as an investment company, but does operate in a manner consistent with Rule 2a7 of the Investment Company Act of 1940. Investments in STAR Ohio are valued at the net asset value (NAV) per share provided by STAR Ohio. The NAV per share is calculated on an amortized cost basis that provides a NAV per share that approximates fair value. For 2020, there were no limitations or restrictions on any participant withdrawals due to redemption notice periods, liquidity fees, or redemption gates. However, notice must be given 24 hours in advance of all deposits and withdrawals exceeding \$100 million. STAR Ohio reserves the right to limit the transaction to \$100 million, requiring the excess amount to be transacted the following business day(s), but only to the \$100 million limit. All accounts of the participant will be combined for these purposes.

Deposits – Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a custodial risk policy. As of December 31, 2020 and 2019, approximately 96% of the City's deposits with financial institutions, including the amount of pooled deposits related to the Water System, were exposed to custodial credit risk because they are considered uninsured and uncollateralized. However, the State of Ohio has established by statute a collateral pooling system for financial institutions acting as public depositories. Public depositories must pledge qualified securities with fair values greater than the total amount of all public deposits to be secured by the collateral pool. This pooled collateral covers the Water System's uninsured and uncollateralized deposits.

Investments – The State of Ohio statutes, Water Revenue Bond indentures, and the City Charter authorize the City to invest in obligations of the U.S. Treasury, agencies, instrumentalities, and repurchase agreements. Custodial credit risk in regards to investments is the risk that, in the event of a failure of a counter party, the City will not be able to recover the value of its investments or collateral securities that are in possession of an outside party. The City employs the use of "safekeeping" accounts to hold and maintain custody of its investments as identified within this policy and as means of mitigating this risk. Fair value in U.S. Treasury securities are measured using level 1 inputs, using quoted prices in active markets for identical assets. Fair value in U.S. agency securities and commercial paper are measured using level 2 inputs, using significant other observable inputs.

Interest rate risk is the risk that the City will incur fair value losses arising from rising interest rates. Such risk is mitigated by the investment policy by limiting investments to certain maximum maturities. As a rule, unless specified otherwise within the policy, investments are to have a maximum maturity of five years unless the investment is matched to a specific expenditure. The context of a specific investment purchase must be weighed in proportion to the remainder of the existing investment portfolio and the “prudent investor” rule to attempt to limit such risk.

The City’s pooled investments, as well as the investments held by trustees specifically for the Water System, are invested primarily in U.S. governmental agency securities with a credit rating of AA+ and an average maximum maturity of 1.82 years and STAR Ohio which has a credit rating of AAAm.

3. ACCOUNTS RECEIVABLE

Receivables at December 31, 2020 and 2019 consist of the following:

	<u>2020</u>	<u>2019</u>
Earned and unbilled consumer accounts	\$ 949,208	962,742
Earned and billed consumer accounts	947,326	1,395,153
Other	22,779	27,791
Less allowance for uncollectible accounts	<u>(412,656)</u>	<u>(797,882)</u>
Total	<u>\$ 1,506,657</u>	<u>1,587,804</u>

4. RESTRICTED ASSETS

Restricted assets consist of assets whose use has been restricted by bond indenture for debt service and rate stabilization. Restricted assets were \$1,575,722 and \$1,527,779 at December 31, 2020 and 2019, respectively.

This space intentionally left blank.

5. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Increases	Decreases	Balance 12/31/20
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,487,106	\$ -	\$ -	\$ 2,487,106
Construction in progress	<u>7,244,441</u>	<u>2,127,492</u>	<u>(2,115,921)</u>	<u>7,256,012</u>
Subtotal	<u>9,731,547</u>	<u>2,127,492</u>	<u>(2,115,921)</u>	<u>9,743,118</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,475,323	-	-	25,475,323
Machinery and equipment	<u>133,781,133</u>	<u>3,974,357</u>	<u>(250,851)</u>	<u>137,504,639</u>
Subtotal	<u>159,256,456</u>	<u>3,974,357</u>	<u>(250,851)</u>	<u>162,979,962</u>
Totals at historical cost	<u>168,988,003</u>	<u>6,101,849</u>	<u>(2,366,772)</u>	<u>172,723,080</u>
Less accumulated depreciation:				
Buildings and improvements	18,635,597	686,809	-	19,322,406
Machinery and equipment	<u>52,815,302</u>	<u>2,657,725</u>	<u>(178,912)</u>	<u>55,294,115</u>
Total accumulated depreciation	<u>71,450,899</u>	<u>3,344,534</u>	<u>(178,912)</u>	<u>74,616,521</u>
Capital assets, net	<u>\$ 97,537,104</u>	<u>\$ 2,757,315</u>	<u>\$ (2,187,860)</u>	<u>\$ 98,106,559</u>

Capital asset activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Increases	Decreases	Balance 12/31/19
<i>Nondepreciable capital assets:</i>				
Land	\$ 2,487,106	\$ -	\$ -	\$ 2,487,106
Construction in progress	<u>7,993,130</u>	<u>1,416,235</u>	<u>(2,164,924)</u>	<u>7,244,441</u>
Subtotal	<u>10,480,236</u>	<u>1,416,235</u>	<u>(2,164,924)</u>	<u>9,731,547</u>
<i>Capital assets being depreciated:</i>				
Buildings and improvements	25,475,323	-	-	25,475,323
Machinery and equipment	<u>130,282,988</u>	<u>3,784,112</u>	<u>(285,967)</u>	<u>133,781,133</u>
Subtotal	<u>155,758,311</u>	<u>3,784,112</u>	<u>(285,967)</u>	<u>159,256,456</u>
Totals at historical cost	<u>166,238,547</u>	<u>5,200,347</u>	<u>(2,450,891)</u>	<u>168,988,003</u>
Less accumulated depreciation:				
Buildings and improvements	18,004,646	630,951	-	18,635,597
Machinery and equipment	<u>50,402,501</u>	<u>2,645,134</u>	<u>(232,333)</u>	<u>52,815,302</u>
Total accumulated depreciation	<u>68,407,147</u>	<u>3,276,085</u>	<u>(232,333)</u>	<u>71,450,899</u>
Capital assets, net	<u>\$ 97,831,400</u>	<u>\$ 1,924,262</u>	<u>\$ (2,218,558)</u>	<u>\$ 97,537,104</u>

6. LONG TERM DEBT

In September 2015, the Water System issued \$11,700,000 of water revenue refunding bonds to refund Series 2002 mortgage revenue bonds. The Series 2015 bonds fully mature in 2044 and bear interest of 4.4 to 5.25 percent per annum.

In 2016, the Water System entered into a direct borrowing agreement with Ohio Water Development Authority (OWDA), as administrator for the U.S. Environmental Protection Agency (EPA), for the Water System to receive a loan for a water main replacement at River Road. The interest rate on the loan is 1.33 percent per annum. As of December 31, 2020, the outstanding balance of the loan is \$808,157.

In 2016, the Water System obtained financing through Ohio Public Works Commission (OPWC) direct borrowing for a water main replacement at Pershing Avenue with a 0 percent interest rate. This loan is payable from water utility charges. As of December 31, 2020, the outstanding balance of the loan is \$687,446.

In 2016, the Water System obtained financing through OPWC direct borrowing for a water main replacement at Arlington Avenue at an interest rate of 0 percent. This loan is received by the Water System in increments as the project is completed. As of December 31, 2020, the outstanding balance of the loan is \$580,931.

In 2017, the Water System obtained financing through OPWC direct borrowing for a water main replacement at State Route 4 at an interest of 0 percent. This loan is payable from water utility charges. As of December 31, 2020, the outstanding balance of the loan is \$408,048.

In April 2018, the Water System currently refunded the 2017 Notes through the issuance of \$5,625,000 of Series 2018 Water System Refunding Revenue Bonds. These bonds fully mature in 2029 and bear interest of 4.0 percent per annum.

In August 2018, the Water System issued \$2,965,000 of Series 2018 Water System Revenue Bonds to fund water main replacements and other necessary improvements. These bonds fully mature in 2048 and bear interest between 3.0 to 4.0 percent per annum.

In 2018, the Water System obtained financing through OPWC direct borrowing for a water main replacement at Southern Hills at an interest rate of 0 percent. This loan is payable from water utility charges. As of December 31, 2020, the outstanding balance of the loan is \$1,783,157.

In 2019, the Water System obtained financing through OPWC direct borrowing for a water main loop project at the Bilstein plant at an interest rate of 0 percent. This loan is payable from water utility charges. As of December 31, 2020, the outstanding balance of the loan is \$234,054.

In 2019, the Water System obtained financing through OPWC direct borrowing for a water main replacement at North Third Street an interest rate of 0 percent. This loan is payable from water utility charges. As of December 31, 2020, the outstanding balance of the loan is \$1,539,200.

In November 2019, the Water System defeased \$8,915,000 of the Series 2009B Taxable Water System Build America Revenue Bonds through the issuance of \$8,075,000 of Water System Mortgage Revenue Refunding Bonds. These bonds fully mature in 2039 and bear interest between 3.0 to 4.0 percent per annum. The net proceeds of the Series 2019 bonds have been used to currently refund the Series 2009B bonds.

Also in November 2019, the Water System issued \$1,800,000 of Series 2019 Water System Mortgage Revenue Bonds for water main replacements and other necessary improvements. These bonds fully mature in 2049 and bear interest between 3.0 to 4.0 percent annum.

In 2020, the Water System obtained financing through OPWC direct borrowing for a water main replacement in the Highland Park area at an interest rate of 0 percent. This loan is received in increments as the project progresses. As of December 31, 2020, the Water System had received \$1,398,025 from OPWC. Subsequent amounts will be received in future years. As of December 31, 2020, the loan has not been finalized and there is no amortization schedule for the loan.

Debt activity for the year ended December 31, 2020 was as follows:

	Balance 1/1/20	Additions	Reductions	Balance 12/31/20	Within One Year
Series 2015 Refunding Bonds	\$ 10,590,000	\$ -	\$ (305,000)	\$ 10,285,000	\$ 310,000
Series 2018 Refunding Bonds	5,625,000	-	(470,000)	5,155,000	490,000
Series 2018 Revenue Bonds	2,910,000	-	(60,000)	2,850,000	60,000
Series 2019 Refunding Bonds	8,075,000	-	(50,000)	8,025,000	20,000
Series 2019 Revenue Bonds	1,800,000	-	(30,000)	1,770,000	35,000
Less deferred amount:					
for issuance premiums	2,281,292	-	(129,086)	2,152,206	-
for issuance discounts	(19,181)	-	639	(18,542)	-
<i>Direct borrowings:</i>					
OWDA Loan-River Road	850,260	-	(42,103)	808,157	42,665
OPWC Loan- Pershing Ave	699,945	-	(12,499)	687,446	24,998
OPWC Loan-Arlington Ave	590,777	-	(9,846)	580,931	19,692
OPWC Loan-SR 4	415,207	-	(7,159)	408,048	14,318
OPWC Loan-Southern Hills	1,813,380	-	(30,223)	1,783,157	60,446
OPWC Loan-Bilstein Loop	238,021	-	(3,967)	234,054	7,934
OPWC Loan-N. Third Street	1,096,970	442,230	-	1,539,200	25,653
OPWC Loan-Highland Park	-	1,398,025	-	1,398,025	-
Compensated absences	536,200	305,496	(275,845)	565,851	302,542
	<u>\$ 37,502,871</u>	<u>\$ 2,145,751</u>	<u>\$ (1,425,089)</u>	<u>\$ 38,223,533</u>	<u>\$ 1,413,248</u>

Debt activity for the year ended December 31, 2019 was as follows:

	Balance 1/1/19	Additions	Reductions	Balance 12/31/19	Due Within One Year
Series 2009A Revenue Bonds	\$ 460,000	\$ -	\$ (460,000)	\$ -	\$ -
Series 2009B Revenue BABs	8,915,000	-	(8,915,000)	-	-
Series 2015 Refunding Bonds	10,890,000	-	(300,000)	10,590,000	305,000
Series 2018 Refunding Bonds	5,625,000	-	-	5,625,000	470,000
Series 2018 Revenue Bonds	2,965,000	-	(55,000)	2,910,000	60,000
Series 2019 Refunding Bonds	-	8,075,000	-	8,075,000	50,000
Series 2019 Revenue Bonds	-	1,800,000	-	1,800,000	30,000
Less deferred amount:					
for issuance premiums	1,193,866	1,177,270	(89,844)	2,281,292	-
for issuance discounts	(34,738)	(19,181)	34,738	(19,181)	-
Notes payable	-	-	-	-	-
<i>Direct borrowings:</i>					
OWDA Loan-River Road	886,098	-	(35,838)	850,260	42,103
OPWC Loan- Pershing Ave	724,943	-	(24,998)	699,945	12,499
OPWC Loan-Arlington Ave	556,485	34,292	-	590,777	9,846
OPWC Loan-SR 4	429,525	-	(14,318)	415,207	7,159
OPWC Loan-Southern Hills	1,787,761	25,619	-	1,813,380	30,223
OPWC Loan-Bilstein Loop	-	238,021	-	238,021	3,967
OPWC Loan-N. Third Street	-	1,096,970	-	1,096,970	-
Compensated absences	496,673	287,517	(247,990)	536,200	275,845
	<u>\$ 34,895,613</u>	<u>\$ 12,715,508</u>	<u>\$ (10,108,250)</u>	<u>\$ 37,502,871</u>	<u>\$ 1,296,642</u>

Under the terms of the revenue bond indenture, the City has agreed to certain covenants including, among other things, maintaining revenue levels and providing for operating expenses and debt service. The revenue bonds are insured under a municipal bond insurance policy. Under the terms of this policy, the payments of principal and interest are guaranteed by the insurer.

Maturities of revenue bonds at December 31, 2020 are as follows:

	Principal	Interest	Total
2021	\$ 915,000	\$ 1,138,313	\$ 2,053,313
2022	945,000	1,107,688	2,052,688
2023	970,000	1,074,688	2,044,688
2024	1,005,000	1,039,950	2,044,950
2025	1,050,000	1,002,263	2,052,263
2026-2030	5,830,000	4,359,257	10,189,257
2031-2035	6,315,000	3,095,619	9,410,619
2036-2040	6,810,000	1,628,319	8,438,319
2041-2045	3,425,000	493,939	3,918,939
2046-2049	820,000	62,513	882,513
Total	<u>\$ 28,085,000</u>	<u>\$ 15,002,549</u>	<u>\$ 43,087,549</u>

Maturities of the completed direct borrowing OWDA and OPWC loans as of December 31, 2020 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 195,706	\$ 10,607	\$ 206,313
2022	221,931	10,038	231,969
2023	222,508	9,461	231,969
2024	223,092	8,876	231,968
2025	223,685	8,284	231,969
2026-2030	1,127,590	32,252	1,159,842
2031-2035	1,143,631	16,209	1,159,840
2036-2040	998,269	1,748	1,000,017
2041-2045	893,466	-	893,466
2046-2050	765,462	-	765,462
2051	<u>25,653</u>	<u>-</u>	<u>25,653</u>
Total	<u>\$ 6,040,993</u>	<u>\$ 97,475</u>	<u>\$ 6,138,468</u>

7. DEFINED BENEFIT PENSION PLANS

The Water System contributes to the Ohio Public Employees Retirement System.

Ohio Public Employees Retirement System

Net Pension Liability

The net pension liability reported on the statement of net position represents a liability to employees for pensions. Pension is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. Pensions are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for pensions is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net pension liability represents the Water System’s proportionate share of each pension plan’s collective actuarial present value of projected benefit payments attributable to past periods of service, net of each pension plan’s fiduciary net position. The net pension liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting this estimate annually.

Ohio Revised Code limits the Water System’s obligation for this liability to annually required payments. The Water System cannot control benefit terms or the manner in which pensions are financed; however, the Water System does receive the benefit of employees’ services in exchange for compensation including pension.

GASB 68 assumes the liability is solely the obligation of the employer, because (1) they benefit from employee services; and (2) State statute requires all funding to come from these employers. All contributions to date have come solely from these employers (which also includes costs paid in the form of withholdings from employees). State statute requires the pension plans to amortize unfunded liabilities within 30 years. If the amortization period exceeds 30 years, each pension plan's board must propose corrective action to the State legislature. Any resulting legislative change to benefits or funding could significantly affect the net pension liability. Resulting adjustments to the net pension liability would be effective when the changes are legally enforceable.

The proportionate share of each plan's unfunded benefits is presented as a long-term *net pension liability* on the accrual basis of accounting. Any liability for the contractually-required pension contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. Water System employees participate in the Ohio Public Employees Retirement System (OPERS). OPERS administers three separate pension plans. The traditional pension plan is a cost-sharing, multiple-employer defined benefit pension plan. The member-directed plan is a defined contribution plan and the combined plan is a cost-sharing, multiple-employer defined benefit pension plan with defined contribution features. While members (e.g. Water System employees) may elect the member-directed plan and the combined plan, substantially all employee members are in OPERS' traditional plan; therefore, the following disclosure focuses on the traditional pension plan.

OPERS provides retirement, disability, survivor and death benefits, and annual cost of living adjustments to members of the traditional plan. Authority to establish and amend benefits is provided by Chapter 145 of the Ohio Revised Code. OPERS issues a stand-alone financial report that includes financial statements, required supplementary information and detailed information about OPERS' fiduciary net position that may be obtained by visiting <https://www.opers.org/financial/reports.shtml>, by writing to the Ohio Public Employees Retirement System, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling 800-222-7377.

Senate Bill (SB) 343 was enacted into law with an effective date of January 7, 2013. In the legislation, members were categorized into three groups with varying provisions of the law applicable to each group. The following table provides age and service requirements for retirement and the retirement formula applied to final average salary (FAS) for the three-member groups under the traditional plan as per the reduced benefits adopted by SB 343 (see OPERS Comprehensive Annual Financial Report referenced above for additional information):

Group A Eligible to retire prior to January 7, 2013 or five years after January 7, 2013	Group B 20 years of service credit prior to January 7, 2013 or eligible to retire ten years after January 7, 2013	Group C Members not in other Groups and members hired on or after January 7, 2013
State and Local	State and Local	State and Local
Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 60 with 60 months of service credit or Age 55 with 25 years of service credit	Age and Service Requirements: Age 57 with 25 years of service credit or Age 62 with 5 years of service credit
Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 30 years and 2.5% for service years in excess of 30	Formula: 2.2% of FAS multiplied by year of service for the first 35 years and 2.5% for service years in excess of 35

Final average salary (FAS) represents the average of the three highest years of earnings over a member's career for Groups A and B. Group C is based on the average of the five highest years of earnings over a member's career.

Members who retire before meeting the age and years of service credit requirement for unreduced benefits receive a percentage reduction in the benefit amount.

When a benefit recipient has received benefits for 12 months, an annual cost of living adjustment (COLA) is provided. This COLA is calculated on the base retirement benefit at the date of retirement and is not compounded. For those retiring prior to January 7, 2013, the COLA will continue to be a 3 percent simple annual COLA. For those retiring subsequent to January 7, 2013, beginning in calendar year 2019, the COLA will be based on the average percentage increase in the Consumer Price Index, capped at 3 percent.

Funding Policy. The Ohio Revised Code (ORC) provides statutory authority for member and employer contributions for 2020 and 2019 as follows:

Statutory Maximum Contribution Rates

Employer	14.0	%
Employee	10.0	%

Actual Contribution Rates

Employer:		
Pension	14.0	%
Post-employment Health Care Benefits	<u>0.0</u>	<u>%</u>
Total Employer	<u>14.0</u>	<u>%</u>
Employee	<u>10.0</u>	<u>%</u>

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water System's contractually required contributions were \$368,218 and \$321,450 for 2020 and 2019, respectively. Of this amount, \$14,301 was reported as an intergovernmental payable in 2020 and \$10,175 in 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The net pension liability for OPERS was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Water System's proportion of the net pension liability was based on the Water System's share of contributions to the pension plan relative to the contributions of all participating entities in those measurement periods. The following is information related to the proportionate share and pension expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net Pension Liability	\$ 3,646,293	\$ 4,464,933
Proportion of the Net Pension Liability	0.0184476%	0.0163025%
Change in Proportion	0.0021451%	-0.0000813%
Pension Expense	\$ 651,836	\$ 1,023,087

At December 31, 2020 and 2019, the Water System reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 606,016
Water System change in proportionate share	-	56,287
Changes in assumptions	194,754	388,683
Differences between expected and actual experience	-	206
Water System contributions subsequent to the measurement date	<u>368,218</u>	<u>321,450</u>
Total Deferred Outflows of Resources	<u>\$ 562,972</u>	<u>\$ 1,372,642</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on pension plan investments	\$ 727,353	\$ -
Differences between expected and actual experience	<u>46,100</u>	<u>58,625</u>
Total Deferred Inflows of Resources	<u>\$ 773,453</u>	<u>\$ 58,625</u>

\$368,218 reported as deferred outflows of resources related to pension resulting from the Water System's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ending December 31:	
2021	\$ (85,107)
2022	(234,906)
2023	30,119
2024	<u>(288,805)</u>
Total	<u>\$ (578,699)</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employers and plan members) and include the types of benefits provided at the time of each valuation.

Wage Inflation	3.25 percent
Future Salary Increases, including inflation COLA or Ad Hoc COLA	3.25 to 10.75 percent including wage inflation Pre 1/7/2013 Retirees: 3 percent, simple; Post 1/7/2013 Retirees: 1.40 percent simple through 2020, then 2.15 percent simple
Investment Rate of Return	7.2 percent
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term rate of return on defined benefit investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio, and the Defined Contribution portfolio. The Defined Benefit portfolio contains the investment assets for the Traditional Pension Plan, the defined benefit component of the Combined Plan and the annuitized accounts of the Member-Directed Plan. Within the Defined Benefit portfolio, contributions into the plans are all recorded at the same time, and benefit payments all occur on the first of the month. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for vested, for the Defined Benefit portfolio was 17.2 percent for 2019.

The allocation of investment assets with the Defined Benefit portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Plan assets are managed on a total return basis with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the defined benefit pension plans.

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	25.00 %	1.83 %
Domestic Equities	19.00	5.75
Real Estate	10.00	5.20
Private Equity	12.00	10.70
International Equities	21.00	7.66
Other investments	13.00	4.98
Total	100.00 %	5.61 %

Discount Rate. The discount rate used to measure the total pension liability was 7.2 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members and those of the contributing employers are made at the statutorily required rates. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefits payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Water System’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following table presents the Water System’s proportionate share of the net pension liability calculated using the current period discount rate assumption of 7.2 percent, as well as what the Water System’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.2 percent) or one-percentage-point higher (8.2 percent) than the current rate:

	1% Decrease (6.20%)	Current Discount Rate (7.20%)	1% Increase (8.20%)
Water System's proportionate share of the net pension liability	\$ 6,014,124	\$ 3,646,293	\$ 1,517,921

8. DEFINED BENEFIT OPEB PLANS

The Water System contributes to the Ohio Public Employees Retirement System and the City’s Retiree Life Insurance Plan.

A. Ohio Public Employees Retirement System (OPERS)

Net OPEB Liability

The net OPEB liability for the Ohio Public Employees Retirement System reported on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salary and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

The net OPEB liability represents the Water System's proportionate share of the OPEB plan's collective actuarial present value of projected benefit payments attributable to past periods of service, net of each OPEB plan's fiduciary net position. The net OPEB liability calculation is dependent on critical long-term variables, including estimated average life expectancies, earnings on investments, cost of living adjustments and others. While these estimates use the best information available, unknowable future events require adjusting these estimates annually.

Ohio Revised Code limits the City's obligation for this liability to annual required payments. The Water System cannot control benefit terms or the manner in which OPEB are financed; however, the Water System does receive the benefit of employees' services in exchange for compensation including OPEB.

GASB Statement No. 75 assumes the liability is solely the obligation of the employer, because they benefit from employee services. OPEB contributions come from these employer and health care plan enrollees which pay a portion of the health care costs in the form of a monthly premium. The Ohio Revised Code permits, but does not require the retirement system to provide healthcare to eligible benefit recipients. Any change to benefits or funding could significantly affect the net OPEB liability. Resulting adjustments to the net OPEB liability would be effective when the changes are legally enforceable. The retirement system may allocate a portion of the employer contributions to provide for these OPEB benefits.

The proportionate share of the retirement system's unfunded benefits is presented as a long-term *net OPEB liability* on the accrual basis of accounting. Any liability for the contractually-required OPEB contribution outstanding at the end of the year is included in *intergovernmental payable* on the accrual basis of accounting.

Plan Description. OPERS administers three separate plans: the Traditional Pension Plan, a cost-sharing, multiple-employer defined benefit pension plan; the Member-Directed Plan, a defined contribution plan; and the Combined Plan, a cost-sharing, multiple-employer defined benefit pension plan that has elements of both a defined benefit and defined contribution plan.

OPERS maintains a cost-sharing, multiple-employer defined benefit post-employment health care trust, which funds multiple health care plans, including medical coverage, prescription drug coverage and deposits to a Health Reimbursement Arrangement to qualifying benefit recipients of both the traditional pension and the combined plans. This trust is also used to fund health care for member-directed plan participants, in the form of a Retiree Medical Account (RMA). At retirement or refund, member-directed plan participants may be eligible for reimbursement of qualified medical expenses from their vested RMA balance.

In order to qualify for postemployment health care coverage, age and service retirees under the Traditional Pension and Combined plans must have twenty or more years of qualifying Ohio service credit. Health care coverage for disability benefit recipients and qualified survivor benefit recipients is available. The health care coverage provided by OPERS meets the definition of an Other Post Employment Benefit (OPEB) as described in GASB Statement No. 75. See OPERS' Comprehensive Annual Financial Report referenced below for additional information.

The Ohio Revised Code permits, but does not require OPERS to provide health care to its eligible benefit recipients. Authority to establish and amend health care coverage is provided to the Board in Chapter 145 of the Ohio Revised Code.

Disclosures for the health care plan are presented separately in the OPERS financial report. Interested parties may obtain a copy by visiting <https://www.opers.org/financial/reports.shtml>, by writing to OPERS, 277 East Town Street, Columbus, Ohio 43215-4642, or by calling (614) 222-5601 or 800-222-7377.

Funding Policy. The Ohio Revised Code provides the statutory authority requiring public employers to fund postemployment health care through their contributions to OPERS. When funding is approved by OPERS Board of Trustees, a portion of each employer’s contribution to OPERS is set aside to fund OPERS health care plans. Beginning in 2018, health care is not being funded.

Employer contribution rates are expressed as a percentage of the earnable salary of active members. In 2020, state and local employers contributed at a rate of 14.0 percent of earnable salary. This is the maximum employer contribution rate permitted by Ohio Revised Code. Active member contributions do not fund health care.

Each year, the OPERS Board determines the portion of the employer contribution rate that will be set aside to fund health care plans. The portion of employer contributions allocated to health care for members in the Traditional Pension Plan and Combined Plan was 0 percent during calendar year 2020. The OPERS Board is also authorized to establish rules for the retiree or their surviving beneficiaries to pay a portion of the health care provided. Payment amounts vary depending on the number of covered dependents and the coverage selected. The employer contribution as a percentage of covered payroll deposited into the RMA for participants in the Member-Directed Plan for 2020 was 4.0 percent.

Employer contribution rates are actuarially determined and are expressed as a percentage of covered payroll. The Water System’s contractually required contributions were \$0 for 2020 and 2019.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources. The net OPEB liability and total OPEB liability for OPERS were determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019, by incorporating the expected value of health care cost accruals, the actual health care payment, and interest accruals during the year. The Water System’s proportion of the net OPEB liability was based on the Water System’s share of contributions to the retirement plan relative to the contributions of all participating entities. Following is information related to the proportionate share and OPEB expense:

	<u>2020</u>	<u>2019</u>
Proportionate Share of the Net OPEB Liability	\$ 2,590,559	\$ 2,152,902
Proportion of the Net OPEB Liability	0.0187550%	0.0165130%
Change in Proportion	0.0022420%	-0.0000623%
OPEB Expense	\$ 207,462	\$ 182,943

At December 31, 2020 and 2019, the Water System reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ -	\$ 98,698
Water System change in proportionate share	3,084	36,737
Changes in assumptions	410,058	69,412
Differences between expected and actual experience	<u>69</u>	<u>729</u>
Total Deferred Outflows of Resources	<u>\$ 413,211</u>	<u>\$ 205,576</u>
Deferred Inflows of Resources		
Net difference between projected and actual earnings on OPEB plan investments	\$ 131,911	\$ -
Differences between expected and actual experience	<u>236,918</u>	<u>5,841</u>
Total Deferred Inflows of Resources	<u>\$ 368,829</u>	<u>\$ 5,841</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31:	
2021	\$ 69,293
2022	30,827
2023	104
2024	<u>(55,842)</u>
Total	<u>\$ 44,382</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of coverage provided at the time of each valuation and the historical pattern of sharing of costs between OPERS and plan members. The total OPEB liability was determined by an actuarial valuation as of December 31, 2018, rolled forward to the measurement date of December 31, 2019. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement in accordance with the requirements of GASB 74:

Wage Inflation	3.25 percent
Projected Salary Increases, including inflation	3.25 to 10.75 percent including wage inflation
Single Discount Rate:	
Current measurement date	3.16 percent
Prior measurement date	3.96 percent
Investment Rate of Return	6.00 percent
Municipal Bond Rate	
Current measurement period	2.75 percent
Prior measurement period	3.71 percent
Health Care Cost Trend Rate:	
Current measurement period	10.5 percent, initial 3.5 percent, ultimate in 2030
Prior measurement period	10.0 percent, initial 3.25 percent, ultimate in 2029
Actuarial Cost Method	Individual Entry Age

Pre-retirement mortality rates are based on the RP-2014 Employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates are based on the RP-2014 Healthy Annuitant mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Post-retirement mortality rates for disabled retirees are based on the RP-2014 Disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The base year for males and females was then established to be 2015 and 2010, respectively. Mortality rates for a particular calendar year are determined by applying the MP-2015 mortality improvement scale to all of the above described tables.

The most recent experience study was completed for the five-year period ended December 31, 2015.

The long-term expected rate of return on health care investment assets was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected real rate of return by weighting the expected future real rates of return by the target asset allocation percentage, adjusted for inflation.

During 2019, OPERS managed investments in three investment portfolios: the Defined Benefit portfolio, the Health Care portfolio and the Defined Contribution portfolio. The Health Care portfolio includes the assets for health care expenses for the Traditional Pension Plan, Combined Plan and Member-Directed Plan eligible members. Within the Health Care portfolio, contributions into the plans are assumed to be received continuously throughout the year based on the actual payroll payable at the time contributions are made, and health care-related payments are assumed to occur mid-year. Accordingly, the money-weighted rate of return is considered to be the same for all plans within the portfolio. The annual money-weighted rate of return expressing investment performance, net of investment expenses and adjusted for the changing amounts actually invested, for the Health Care portfolio was 19.7 percent for 2019.

The allocation of investment assets with the Health Care portfolio is approved by the Board of Trustees as outlined in the annual investment plan. Assets are managed on a total return basis with a long-term objective of continuing to offer a sustainable health care program for current and future retirees. OPERS' primary goal is to achieve and maintain a fully funded status for the benefits provided through the defined pension plans. Health care is a discretionary benefit. The table below displays the Board-approved asset allocation policy for 2019 and the long-term expected real rates of return:

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Arithmetic)
Fixed Income	36.00%	1.53%
Domestic Equities	21.00%	5.75%
REITs	6.00%	5.69%
International Equities	23.00%	7.66%
Other Investments	<u>14.00%</u>	<u>4.90%</u>
Total	<u>100.00%</u>	<u>4.556%</u>

Discount Rate. A single discount rate of 3.16 percent was used to measure the OPEB liability on the measurement date of December 31, 2019. A single discount rate of 3.96 percent was used to measure the OPEB liability on the measurement date of December 31, 2018. Projected benefit payments are required to be discounted to their actuarial present value using a single discount rate that reflects (1) a long-term expected rate of return on OPEB plan investments (to the extent that the health care fiduciary net position is projected to be sufficient to pay benefits), and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date (to the extent that the contributions for use with the long-term expected rate are not met). This single discount rate was based on an expected rate of return on the health care investment portfolio of 6.00 percent and a municipal bond rate of 2.75 percent.

The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made at rates equal to the actuarially determined contribution rate. Based on these assumptions, the health care fiduciary net position and future contributions were sufficient to finance health care costs through 2034. As a result, the long-term expected rate of return on health care investments was applied to projected costs through the year 2034, and the municipal bond rate was applied to all health care costs after that date.

Sensitivity of the Water System's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate. The following table presents the Water System's proportionate share of the net OPEB liability calculated using the single discount rate of 3.16 percent, as well as what the Gas System's proportionate share of the net OPEB liability if it were calculated using a discount rate that is 1.0 percentage point lower (2.16 percent) or 1.0 percentage point higher (4.16 percent) than the current rate:

	1% Decrease (2.16%)	Current Discount Rate (3.16%)	1% Increase (4.16%)
Water System's proportionate share of the net OPEB liability	\$ 3,390,063	\$ 2,590,559	\$ 1,950,280

Sensitivity of the Water System’s Proportionate Share of the Net OPEB Liability to Changes in the Health Care Cost Trend Rate. Changes in the health care cost trend rate may also have a significant impact on the net OPEB liability. The following table presents the net OPEB liability calculated using the assumed trend rates, and the expected net OPEB liability if it were calculated using a health care cost trend rate that is 1.0 percent lower or 1.0 percent higher than the current rate.

Retiree health care valuations use a health care cost-trend assumption that changes over several years built into the assumption. The near-term rates reflect increases in the current cost of health care; the trend starting in 2020 is 10.50 percent. If this trend continues for future years, the projection indicates that years from now virtually all expenditures will be for health care. A more reasonable alternative is that in the not-too-distant future, the health plan cost trend will decrease to a level at, or near, wage inflation. On this basis, the actuaries project premium rate increases will continue to exceed wage inflation for approximately the next decade, but by less each year, until leveling off at an ultimate rate, assumed to be 3.50 percent in the most recent valuation.

	1% Decrease	Current Health Care Cost Trend Rate Assumption	1% Increase
Water System's proportionate share of the net OPEB liability	\$ 2,514,041	\$ 2,590,559	\$ 2,665,952

B. Retiree Life Insurance

Total OPEB Liability

The total OPEB liability reported for Retiree Life Insurance on the statement of net position represents a liability to employees for OPEB. OPEB is a component of exchange transactions—between an employer and its employees—of salaries and benefits for employee services. OPEB are provided to an employee—on a deferred-payment basis—as part of the total compensation package offered by an employer for employee services each financial period. The obligation to sacrifice resources for OPEB is a present obligation because it was created as a result of employment exchanges that already have occurred.

Plan Description. The City provides life insurance benefits to individuals who retire from the City through a single-employer OPEB plan which is administered by Hartford Life Insurance Company. The retiree must have a minimum of ten consecutive years of continuous service with the City, must have been associated with the City for at least five of the last ten years prior to retirement, and must have participated in the employee group life insurance program to and at the time of retirement. The retiree must be immediately eligible at the time of separation for full retirement or disability retirement benefits under OPERS or other retirement system.

Employees who retired prior to March 1, 1977 are eligible to receive \$2,000 in life insurance benefits. Employees who retired after March 1, 1977 are eligible to receive \$4,000 in life insurance benefits. Benefit provisions of the plan are established and may be amended by City Council through ordinance.

Funding Policy. Annual contributions to the plan represent actual contractual contributions required to cover the cost of the life insurance premiums. The Water System’s contractually required contributions were \$17,444 for 2020 and \$17,258 for 2019.

At December 31, 2020, the number of plan-wide active participants and retirees were 579 and 657, respectively, and 591 and 650 at December 31, 2019, respectively.

The plan has no assets.

Changes in Total OPEB Liability, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources. The total OPEB liability for the Retiree Life Insurance plan were determined by an actuarial valuation as of December 31, 2020. Following is information related to the changes in total OPEB liability:

	<u>2020</u>	<u>2019</u>
Total OPEB Liability, beginning of year	\$ 300,592	\$ 265,451
Service cost	3,676	2,937
Interest	8,028	9,762
Difference between expected and actual experience	4,383	6,383
Changes in assumptions	27,073	33,317
Benefit payments	<u>(17,444)</u>	<u>(17,258)</u>
Total OPEB Liability, end of year	<u>\$ 326,308</u>	<u>\$ 300,592</u>
Retiree Life Insurance Plan OPEB expense	\$7,065	\$2,078

At December 31, 2020 and 2019, the Water System reported deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan from the following sources:

	<u>2020</u>	<u>2019</u>
Deferred Outflows of Resources		
Changes in assumptions	\$ 41,199	\$ 26,376
Differences between expected and actual experience	<u>8,620</u>	<u>7,284</u>
Total Deferred Outflows of Resources	<u>\$ 49,819</u>	<u>\$ 33,660</u>
Deferred Inflows of Resources		
Changes in assumptions	<u>\$ 3,987</u>	<u>\$ 6,479</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the Retiree Life Insurance plan will be recognized in OPEB expense as follows:

Year Ending December 31:		
2021	\$	12,805
2022		13,459
2023		12,785
2024		6,168
2025		<u>615</u>
Total	\$	<u>45,832</u>

Actuarial Assumptions. Actuarial valuations of an ongoing plan involve estimates of the values of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about the future employment, mortality, and cost trends. Actuarially determined amounts are subject to continual review or modification as actual results are compared with past experience and new estimates are made about the future.

The total OPEB liability was determined by an actuarial valuation as of December 31, 2020. The actuarial valuation used the following actuarial assumptions applied to all prior periods included in the measurement:

Single Discount Rate:	
Current measurement date	2.00 percent
Prior measurement date	2.75 percent
Actuarial Cost Method	Entry Age Normal
Mortality Rates:	
Non-Disable	Pub-2010 General/Public Safety
Retired	Pub-2010 General Retiree
Disabled	Pub-2010 General Disabled Retiree
Weighting	Headcount-weighted
Future Improvement	Projected generationally using Scale MP-2020

The most recent experience study was completed for the five-year period ended December 31, 2018.

Discount Rate. A single discount rate of 2.00 percent was used to measure the total OPEB liability on the measurement date of December 31, 2020. A single discount rate of 2.75 percent was used to measure the total OPEB liability on the measurement date of December 31, 2019. Because the Retiree Life Insurance plan is not funded, the discount rate is based on a 20-year tax-exempt municipal bond rate based on published indices.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate. The following table presents the Water System’s Retiree Life Insurance plan total OPEB liability calculated using the single discount rate of 2.00 percent, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (1.00 percent) and one-percentage-point higher (3.00 percent) than the current rate:

	1% Decrease (1.00%)	Current Discount Rate (2.00%)	1% Increase (3.00%)
Total OPEB liability	\$ 372,228	\$ 326,308	\$ 288,851

9. CONTINGENT LIABILITIES

Various claims and lawsuits are pending against the City involving the Water System. The City believes that the ultimate disposition of such claims and lawsuits will not have a material adverse effect on the financial position of the Water System.

10. RELATED PARTY TRANSACTIONS

The Water System purchases electricity from the City's Electric System. Purchases of \$1,326,350 and \$1,062,350 from the Electric System are included in operating expenses in 2020 and 2019, respectively.

The City allocates the cost of certain administrative services. In addition, the City established internal service funds which provide services to various City departments. Charges to the Water System for these services were approximately \$2,849,000 and \$2,826,000 in 2020 and 2019, respectively, and are included in other operating expenses.

11. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts and liability, damage to and theft of or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City maintains comprehensive insurance coverage, for all City departments including the Water System, with private carriers for real property, building contents, vehicle, property and general liability insurance, police professional liability, and public officials errors and omissions insurance. Vehicle policies include liability coverage for bodily injury and property damage. Claim payments have not exceeded coverage in the past three years. There was no decline in the level of coverage from the prior year.

12. CONTRACTUAL COMMITMENTS

At December 31, 2020, the Water System had contractual commitments in the amounts of approximately \$2,933,000 related to property, plant and equipment improvements and additions, as well as various other contract and agreements to provide or receive services related to the Water System operations.

**CITY OF HAMILTON - WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET PENSION LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST SEVEN MEASUREMENT PERIODS**

	Water System's Proportion of the Net Pension Liability	Water System's Proportionate Share of the Net Pension Liability	Water System's Covered Payroll	Water System's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
2014	0.0167181%	\$ 1,988,353	\$ 2,168,223	91.70%	86.36%
2015	0.0167181%	2,016,384	2,074,942	97.18%	86.45%
2016	0.0143774%	2,490,354	1,811,517	137.47%	81.08%
2017	0.0150846%	3,425,456	1,876,583	182.54%	77.25%
2018	0.0163838%	2,570,300	2,137,177	120.27%	84.66%
2019	0.0163025%	4,464,933	2,208,571	202.16%	74.70%
2020	0.0184476%	3,646,293	2,296,071	158.81%	82.17%

Notes: Information prior to 2014 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF PENSION CONTRIBUTIONS
LAST EIGHT YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Water System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2013	\$ 281,869	\$ (281,869)	\$ -	\$ 2,168,223	13.00%
2014	248,993	(248,993)	-	2,074,942	12.00%
2015	217,382	(217,382)	-	1,811,517	12.00%
2016	225,190	(225,190)	-	1,876,583	12.00%
2017	277,833	(277,833)	-	2,137,177	13.00%
2018	309,200	(309,200)	-	2,208,571	14.00%
2019	321,450	(321,450)	-	2,296,071	14.00%
2020	368,218	(368,218)	-	2,630,129	14.00%

Note: Information prior to 2013 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms from 2014-2018.

Changes in assumptions:

2014-2016: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2017: The following were the most significant changes of assumptions that affected total pension liability since the prior measurement date:

- Reduction in actuarial assumed rate of return from 8.00% to 7.50%
- Decrease in wage inflation from 3.75% to 3.25%
- Change in future salary increases from a range of 4.25%-10.02% to 3.25%-10.75%

2018: There were no changes in methods and assumptions used in the calculation of actuarial determined contributions.

2019: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Reduction in actuarial assumed rate of return from 7.50% to 7.20%

2020: The following was the most significant change of assumptions that affected the total pension liability since the prior measurement period:

- Change in COLA from 3.00% to 1.40% for post 1/7/2013 retirees.

**CITY OF HAMILTON - WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
OHIO PUBLIC EMPLOYEES RETIREMENT SYSTEM
SCHEDULES OF NET OPEB LIABILITY AND CONTRIBUTIONS**

**SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST FOUR MEASUREMENT PERIODS**

	Water System's Proportion of the Net OPEB Liability	Water System's Proportionate Share of the Net OPEB Liability	Water System's Covered Payroll	Water System's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.0155452%	\$ 1,570,118	\$ 1,876,583	83.67%	54.05%
2018	0.0165753%	1,799,953	2,137,177	84.22%	54.14%
2019	0.0165130%	2,152,902	2,208,571	97.48%	46.33%
2020	0.0187550%	2,590,559	2,296,071	112.83%	47.80%

Notes: Information prior to 2017 was not available.

The schedule is reported as of the measurement date of the net pension liability, which is the prior year end.

**SCHEDULE OF OPEB CONTRIBUTIONS
LAST FIVE YEARS**

	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Water System's Covered Payroll	Contributions as a Percentage of Covered Payroll
2016	\$ 37,532	\$ (37,532)	\$ -	\$ 1,876,583	2.00%
2017	21,372	(21,372)	-	2,137,177	1.00%
2018	-	-	-	2,208,571	0.00%
2019	-	-	-	2,296,071	0.00%
2020	-	-	-	2,630,129	0.00%

Note: Information prior to 2016 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 4.23% to 3.85%.

2019: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.85% to 3.96%
- Reduction in actuarial assumed rate of return from 6.50% to 6.00%
- Change in health care cost trend rate from 7.50% to 10.00%

2020: The following were the most significant changes of assumptions that affect the total OPEB liability since the prior measurement date:

- The single discount rate changed from 3.96% to 3.16%
- Change in health care cost trend rate from 10.0% to 10.5%
- The municipal bond rate changed from 3.71% to 2.75%

**CITY OF HAMILTON - WATER SYSTEM
REQUIRED SUPPLEMENTARY INFORMATION
RETIREE LIFE INSURANCE SINGLE EMPLOYER PLAN
SCHEDULES OF TOTAL OPEB LIABILITY**

**SCHEDULE OF THE TOTAL OPEB LIABILITY
LAST FOUR YEARS**

	Water System's Proportion Total OPEB Liability	Water System's Covered- Employee Payroll	Water System's Total OPEB Liability as a Percentage of its Covered-Employee Payroll
2017	\$ 277,234	\$ 2,137,177	12.97%
2018	265,451	2,208,571	12.02%
2019	300,592	2,296,071	13.09%
2020	326,308	`	#VALUE!

Note: Information prior to 2017 was not available.

**SCHEDULE OF CHANGES IN TOTAL OPEB LIABILITY
LAST THREE YEARS**

	2020	2019	2018
Beginning Total OPEB Liability	\$ 300,592	\$ 265,451	\$ 277,234
Service Cost	3,676	2,937	3,100
Interest	8,028	9,762	9,412
Difference between expected and actual experience	4,383	6,383	3,947
Changes in assumptions	27,073	33,317	(11,462)
Benefit payments	(17,444)	(17,258)	(16,780)
Ending Total OPEB Liability	<u>\$ 326,308</u>	<u>\$ 300,592</u>	<u>\$ 265,451</u>

Note: Information prior to 2018 was not available.

NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION

The plan has no assets.

Changes in benefit terms: There were no changes in benefit terms for 2018.

Changes in assumptions: For 2018, the single discount rate changed from 3.50% to 3.80%. The mortality table for non-disabled participants was changed to the RP-2014 Total Mortality Table and the mortality table for disabled participants was changed to the RP-2014 Disabled Mortality Table. In addition, termination rates were updated.

2019: The single discount rate changed from 3.80% to 2.75%. The mortality table for non-disabled participants was changed to the Pri-2012 Total Mortality Table and the mortality table for disabled participants was changed to the Pri-2012 Disabled Retiree Mortality Table.

2020: The single discount rate changed from 2.75% to 2.00%. The mortality table for non-disabled participants was changed to the Pub-2010 General/Public Safety Mortality Table and the mortality table for disabled participants was changed to the Pub-2010 General Disabled Retiree Mortality Table.

This page intentionally left blank.

OHIO AUDITOR OF STATE KEITH FABER



CITY OF HAMILTON

BUTLER COUNTY

AUDITOR OF STATE OF OHIO CERTIFICATION

This is a true and correct copy of the report, which is required to be filed pursuant to Section 117.26, Revised Code, and which is filed in the Office of the Ohio Auditor of State in Columbus, Ohio.



Certified for Release 9/9/2021

88 East Broad Street, Columbus, Ohio 43215
Phone: 614-466-4514 or 800-282-0370

This report is a matter of public record and is available online at
www.ohioauditor.gov